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Economic Expansion and Infrastructure Council
Committee on Economic Development

A Study to Evaluate Florida's Economic Development Programs

Interim Project Report
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PART I INTRODUCTION

PURPOSE OF THIS REPORT

This interim project provides an overview and summary of the effectiveness of Florida's economic development incentives. Specifically, the relevant questions considered are:

- What are Florida's economic development needs, short-term and long-term?
- What can the state do to meet these needs?
- What role do economic development incentives play in improving the state's economy?
- What incentives are used most frequently? Are there any that are considered out-of-date?
- What are other state's doing to spur economic development?

In addition, the project covers rural economic development progress. The purpose of this section is to identify rural needs, demographics, and programs and determine whether the state's economic development programs are meeting the needs of rural counties.

Staff worked with the Office of Tourism, Trade and Economic Development, Enterprise Florida, Inc., Agency for Workforce Innovation, Workforce Florida, Inc., statewide and local economic development entities and stakeholders, and several other state agencies to gather the information for this report.

EXECUTIVE SUMMARY

Economic development programs are critical for maintaining a strong and attractive business climate, fostering growth and development of key sectors, and providing high-wage jobs for Florida's citizens. This report analyzes Florida's key incentive programs that may be available to businesses interested in relocating or expanding in the state. The report found that these programs are largely popular across the state, successful, and vital for growth in all of Florida's counties.

The state has been actively recruiting businesses, and increasing trade and tourism to spur economic growth since 1980. Economic development incentives began at this time with the creation of the Road Fund with the desire to bring a change to economic development in the state due to problems with the citrus industry, the decline of the construction industry, and the oil embargo. That year specifically marks the beginning of many state-created economic development programs. Since then, economic development programs have expanded greatly and the state spends millions of dollars each year on incentive programs. But how is the state doing?

The committee surveyed economic development representatives in each of the state's 67 counties, and received 42 responses. Eighteen of these responses were from rural counties. Sixty-seven percent of non-rural counties reported their county was successful or very successful at recruiting or retaining businesses, compared to 40 percent of rural counties. The six needs listed most often by counties, in order of importance, are infrastructure, workforce training, expanding incentive programs, improving the application process, property tax and insurance relief, and affordable housing.

- Florida counties, including all 18 rural counties that responded to the survey, identified infrastructure as a critical need. The type of infrastructure identified included roads, utilities, and broadband services.
- Rural counties expressed infrastructure needs as their number one impediment to locating and attracting new business. Rural counties expressed significant reliance on the Road Fund which they categorized as crucial to implementing necessary infrastructure upgrades which they are unable to independently finance. Rural counties were unified in their desire to see an expansion in incentive programs geared toward improvement in infrastructure.
- Finding qualified workers is a top concern for Florida's businesses. The lack of properly trained workforce coupled with a high cost of doing business (e.g. insurance, cost of land and buildings, cost of property tax) in Florida was cited as a large concern by survey respondents.
- The most popular state-sponsored incentive is the Qualified Targeted Industry Tax (QTI) Refund Program. Survey respondents cited QTI, more than any other state incentive, as the incentive they would like the state to provide additional funding for so that they could utilize more frequently. The Quick Action Closing Fund and the Economic Development Transportation Fund (Road Fund) were also cited as vitally important.
- The most common criticism related to the amount of time it takes for a financial incentive application to be processed by the Office of Tourism, Trade, and Economic Development.
- Economic development stakeholders consider the attraction of high-wage jobs as the most important return-on-investment when considering business recruitment.

FLORIDA'S ECONOMY REMAINS STRONG

Since 1980, Florida has taken an active role to increase economic development. Florida is recognized as a pro-business state due to its abundance of financial advantages, its business-friendly tax climate, and the state's conservative fiscal policy. As a result of the direction Florida has taken, the state's economy remains strong. In 2006, Florida outperformed most states on key economic indicators:

- Florida exceeded the U.S. average in 2006 for annual change in Gross Domestic Product.
- Florida's per capita personal income remains about the same as the U.S. average and exceeds Florida's regional competition.
- Florida's unemployment rate of 4.7 percent remains below national unemployment rates, as well as the state's regional and national competitors' rate.
- Over the last year, Florida added 105,700 new jobs—ranking the state third in job growth among the ten most populous states.
- The percentage of individuals living in poverty in the state is lower than the national average and the state's regional and national competitors.

RESEARCH ON ECONOMIC DEVELOPMENT

Econometric studies on business incentives from a state perspective have produced a myriad of results. Incentives can be beneficial if implemented within certain policy guidelines. Incentives are socially beneficial if: (1) the project helps overcome involuntary unemployment or underemployment; (2) local unemployment rates increase more or local residents move up to higher-paying jobs; (3) the project locates in an area where the public infrastructure is underutilized; and (4) the project overcomes regulatory and other barriers that may prevent certain areas from being productively used.¹

States can implement effective incentive programs through utilizing benefit cost analysis, using more up-front incentives (pay as you go), clawback and performance provisions, and job quality standards, among others. It is generally accepted that job quality should be a factor in determining whether to provide an economic development incentive to a business.

Florida uses three standard approaches for accountability that are identified through research.

1. Qualifying conditions—may include creating a minimum number of jobs, wages or benefit standards, capital investment requirements, etc.
2. Disclosure laws—require businesses to disclose certain information, e.g. average wage data for employees.

¹ Bartik, Timothy J. "Jobs, Productivity, and Local Economic Development: What Implications does Economic Research Have for the Role of Government?" National Tax Journal, Vol. 47, no. 4, Dec 1994, 847-61.

3. Enforcement provisions—require clawbacks and penalties if performance conditions are not met.

ECONOMIC AND BUSINESS INCENTIVES IN FLORIDA

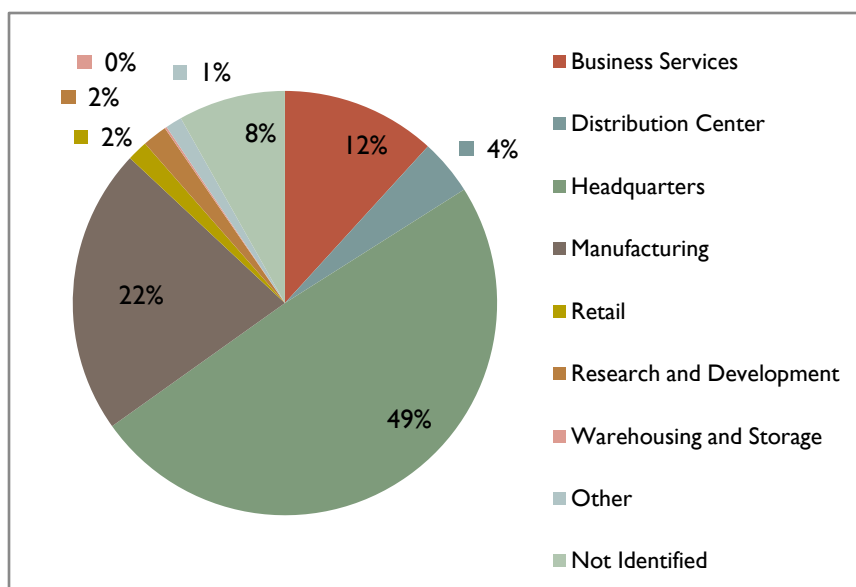
This report evaluates the following incentive programs: Economic Development Transportation Fund, Qualified Targeted Industry Tax Refund, Qualified Defense Contractor Tax Refund, Brownfield Redevelopment Bonus Refund, High Impact Performance Incentive, Quick Action Closing Fund, Innovation Incentive Fund, Capital Investment Tax Credit, Quick Response Training, and Incumbent Worker Training. These programs received a total appropriation of \$379 million for fiscal year 2007-08.² The majority of these funds are received by the Governor's Office of Tourism, Trade, and Economic Development for the implementation of these programs.

The committee found that incentive programs operated through OTTED provided incentives most often to “headquarters”—including state, regional, national and international headquarters. The second most popular sector to receive incentive awards is manufacturing. The 628 projects reviewed produced a total of 108,875 new jobs, \$11 billion in capital investment, and a \$14 average return-on-investment to state revenues for every \$1 invested.³

Workforce training programs, offered through Workforce Florida, Inc., have trained nearly 130,000 workers in the last five years. In addition, these programs have attracted more than \$1 billion in matching funds from qualified businesses.

Qualifying conditions for Florida's incentive programs vary extensively, however statutory criteria for the majority of programs requires the creation of a minimum number of jobs, minimum wage criteria, and ongoing progress reports. The standalone Brownfield program, the Quick Response Training Program, and the Economic Development Transportation Fund have the fewest qualifying conditions listed in statute.

FIGURE 1 INDUSTRY BREAKDOWN FOR ALL PROJECTS



² This amount includes all programs mentioned except the Capital Investment Tax Credit program which accounts for approximately \$3.7 million in revenue losses each year.

³ Throughout the report the terms return-on-investment and payback ratio are interchanged. These terms refer to the dollar amount the state is projected to receive back in state revenues for every dollar invested.

Economic Development Transportation Fund (Road Fund)

The Road Fund provides grants to local governments for infrastructure improvements to attract businesses looking to relocate to Florida or Florida-based businesses looking to expand or retain jobs. Road Fund awards are not available to businesses relocating from one Florida location to another. An award amount is based on the number of created or retained jobs, up to \$5,000 per a job, and each project is capped at no more than \$2 million. Road Fund awards have led to the creation or retention of more than 17,000 jobs that pay an average wage of \$39,385. Twenty-five of the 80 Road Fund projects examined are located in rural counties.

Qualified Targeted Industry Tax Refund (QTI)

The Qualified Targeted Industry Tax Refund program, the most widely-used incentive program, attracts businesses on Florida's targeted industries list. QTI awards are tax refunds of \$3,000 per new job created. The tax refund increases to \$6,000 per job within an Enterprise Zone or Rural County. A business is eligible for a \$1,000 per job bonus if it pays over 150 percent of the average wage in the area, and a \$2,000 per job bonus if it exceeds 200 percent of the average wage in the area. The QTI program has led to the creation or retention of over 87,000 jobs in Florida. Jobs resulting from a QTI project pay an average wage of \$45,665. The 10-year return-on-investment is \$16 for every \$1 of state investment.

Qualified Defense Contractor Tax Refund Program (QDC)

Defense contractors in Florida may be eligible for the QDC program which provides a tax refund of up to \$5,000 per job created or retained in Florida. The tax refund may be applied to any tax liability relating to Florida sales and use taxes, corporate income taxes, intangible personal property taxes, excise taxes, communication services taxes, and ad valorem taxes. Contractors may qualify for a QDC award by converting defense jobs to civilian jobs, acquiring new defense contracts, or the consolidation of a defense contract which results in at least a 25 percent increase in employment or a minimum of 80 jobs. The jobs created or retained by the QDC program pay an average wage of \$53,976. QDC currently has a 10-year return-on-investment of \$14 for every \$1 of state investment.

Brownfield Redevelopment Bonus Refund Program

The Brownfield Redevelopment Bonus Refund is a tax refund to an eligible business of up to \$2,500 for each new job created in a brownfield area. To qualify for a Brownfield Redevelopment Bonus Refund, a local government must show that the project will diversify and improve the economy of the surrounding area, create at least 10 new jobs, and make a minimum capital investment of \$2 million. The state provides 80 percent of the refund and the local government pays the remaining 20 percent. A Brownfield Redevelopment Bonus Refund may be paired with a QTI award for targeted industries that locate to a Florida brownfield site.

Standalone Brownfield projects, those that did not include a QTI award, created 2,668 jobs and induced \$405.6 million in capital investment. Eight projects were located in enterprise zones. These projects had a return-on-investment of \$21 for every \$1 of state investment. The average wage for jobs created through standalone Brownfield projects is \$22,752. There is no wage criteria listed in statute for standalone Brownfield projects.

Brownfield projects with a QTI award created 4,526 jobs and induced more than \$500 million in capital investment. Eighteen projects were located in enterprise zones and 7 projects were located in rural counties. The ten-year return-on-investment is estimated at \$15 for every \$1 of state investment. The average wage for jobs created through this program is \$42,929.

High Impact Performance Incentive (HIPI)

The High Impact Performance Incentive is designed to attract “high impact” sectors of the economy to Florida, including life sciences, financial services, and manufacturing industries. A HIPI award is a grant that ranges from \$1 million to \$12 million based on the number of jobs created and capital investment as a result of the project. Businesses that receive a HIPI award must create at least 100 new full-time jobs and make a cumulative investment in Florida of at least \$100 million over a three-year period. If the business is a research and development facility, the threshold falls to 75 new full-time jobs and a cumulative investment of at least \$75 million in Florida over a three-year period. A qualified business will receive 50 percent of the grant up front and the remaining 50 percent when it satisfies performance requirements related to jobs and capital investment. Jobs created through HIPI projects pay an average wage of \$65,123. HIPI projects have an estimated 10-year return-on-investment of \$11 for every \$1 of state investment.

Quick Action Closing Fund

The Quick Action Closing Fund (QAC) is a tool utilized by the Governor and Legislature to attract businesses that will improve Florida’s economy by paying high wages and making large capital investments. To qualify for an award a business must be in a qualified targeted industry, have a positive payback ratio of at least 5 to 1, pay an average wage of at least 125 percent of the area-wide or statewide average wage, and be supported by the local community. The award must be an inducement to the project's location or expansion in the state. Jobs created through this program pay an average wage of \$58,813. The program has a projected 10-year return-on-investment of \$23 for every \$1 of state investment.

Innovation Incentive Fund

The Innovation Incentive Program is designed to make Florida an attractive place for research and development projects and other types of innovation projects that will serve as a catalyst for attracting other businesses and creating spin-off businesses. Jobs in industries relating to innovation tend to pay high wages and these industries bring about large capital investment in the state. The Innovation Incentive program provides a large, one-time grant to a business in a targeted industry that garners a 1:1 match of local support. There are strict criteria relating to job creation and capital investment that must be met before a business may qualify for an award. Jobs created through the Innovation Incentive program pay an average wage of \$61,241. The three projects approved in the 2006-07 fiscal year are projected to generate more than \$476 million in state revenue over 20 years and 9,643 direct, indirect, and spin-off jobs.

Capital Investment Tax Credit (CITC)

The Capital Investment Tax Credit is an incentive designed to attract and grow capital-intensive industries in Florida. The tax credit may be provided for up to 20 years and may be used against corporate income tax or premium tax liabilities. Eligible projects are those in certain specified industries such as financial services, information technology, silicon technology, and transportation equipment manufacturing. CITC projects must create at least 100 jobs and induce the investment of at least \$25 million in capital costs. CITC awards can cover up to five percent of costs annually for up to 20 years, but the award cannot exceed 100 percent of

costs. Jobs created or retained through the use of CITC pay an average wage of \$54,277. Return-on-investment data is not available for this program because it is unknown how much tax credit a company will claim in any given year.

Quick Response Training (QRT)

The Quick Response Training Program was created to provide grants to train employees for new or expanding businesses in the state. Workforce Florida, Inc. administers the program and has trained over 100,000 employees for over 400 businesses since the program's inception in 1993. A QRT grant offsets training costs incurred by a qualified Florida business. Training expenses eligible for a QRT grant include curriculum development, textbooks and manuals, and other supplies. QRT awards require the business to provide at least part of the total cost of training related expenses. WFI has awarded \$57 million to train more than 64,000 workers through the QRT program—or approximately \$886 per trainee. Businesses have provided more than \$829 million in matching funds. An analysis of the most recent data shows that individuals trained through this program increased their wages by 147 percent—this increase represents an average of all workers, including those who were unemployed prior to training.

Incumbent Worker Training Program (IWT)

The Incumbent Worker Training Program offers grants to businesses for the purpose of retaining jobs and providing specialized training for employees so that Florida-based businesses can remain competitive in a global market. Workforce Florida, Inc. administers the program and more than 65,000 jobs have been retained through the IWT program. An IWT grant requires at least a \$1:\$1 match from the business receiving the grant and may be used to offset the costs of training employees such as instructor's salary or fees, tuition, curriculum development, and textbooks or manuals. WFI has awarded \$24.3 million to train more than 84,000 employees and induced \$188.8 million in matching funds from qualified businesses—or approximately \$289 per trainee. Over 65,000 jobs have been retained through the IWT program. An analysis of the most recent data shows that individuals trained through this program increased their wages by 44 percent, from approximately \$16 per hour to \$23 per hour.

Wage Analysis of Programs

The committee also examined wage data for the following programs: Brownfield Bonus Tax Refund, Economic Development Transportation Fund (Road Fund), Qualified Defense Contractor (QDC) Tax Refund Program, Qualified Targeted Industry (QTI) Tax Refund Program, Quick Action Closing Fund (QAC), and High Impact Performance Incentive (HIPI). This information is provided in detail under each program description.

As a whole, Florida's economic development incentive programs support businesses that guarantee an average wage of \$44,890, or 24 percent above the average private sector county wage. In addition, these businesses are paying wages that are higher than the 2006 statewide average private sector wage of \$41,057. However, these programs are not always supporting businesses that pay wages on par with industry averages in Florida. Out of 628 projects reviewed, 444 provided guaranteed wages above the average private sector county wage, while only 79 provided guaranteed wages at or above their respective industries in the state.

Highlights of the economic development programs:

- The average return on investment for all projects is \$14 for every \$1 invested.

- The High Impact Performance Incentive has supported six projects and has the highest average wage of \$65,123.
- The standalone Brownfield Redevelopment Bonus Refund Program had the lowest average wage of \$22,752, or 40 percent below the average private sector county wage. This program does not have minimum wage criteria in statute. However, the average return-on-investment was \$21 for every \$1 the state invested.
- The Quick Action Closing Fund provides the highest payback ratio—for every \$1 invested, \$23 in state revenue is generated over a 10-year period. This return-on-investment is much higher than the 5:1 payback ratio required in Florida Statute.

RURAL FLORIDA—ECONOMY AND GROWTH

Thirty-two Florida counties are categorized as “rural” pursuant to statute. In addition, Rural Areas of Critical Economic Concern (RACECs) are designated by the Governor upon the advice of the Office of Tourism, Trade, and Economic Development and based on measures of economic interdependence among the rural counties in each of the three geographical regions. The economic health and prosperity of a rural county is critical to its potential growth and development.

- Each RACEC has demonstrated patterns of growth unique to its area. In the North Central RACEC, net domestic migration accounts for 86.6 percent of growth compared with 57.7 percent in Florida. Growth in the South Central RACEC is dominated by net international migration. And growth by natural increase accounts for a larger portion of growth in the Northwest RACEC than other areas in Florida.
- Florida’s rural communities achieve lower levels of educational attainment when compared to Florida and the United States. Throughout Florida, 22.3 percent of the population over 25 years of age has attained at least a bachelor’s degree, compared to about 10 percent in the RACECs.
- Government jobs represent a significant proportion of employment in the RACEC communities—35 percent of employment in the Northwest RACEC, 34 percent in the North Central RACEC and 22 percent in the South Central RACEC, compared with only 13 percent of the employment base in Florida.
- All three RACECs report per capita income levels below those of Florida and the United States. In 2005, per capita income was \$22,079 in the Northwest RACEC, \$21,137 in the North Central RACEC, and \$20,179 in the South Central RACEC, compared with per capita income of \$34,685 in the United States and \$34,001 in Florida. From 1986 to 2005 per capita income grew by 120 percent in Florida and 125 percent in the United States, compared with per capita income growth of 136 percent in the Northwest RACEC, 110 percent in the North Central RACEC, and 78 percent in the South Central RACEC.

This report reviews the Rural Economic Development Initiative, Rural Infrastructure Fund, Rural Community Development Revolving Loan Fund, Small County Outreach Program, Small Cities Community Development Block Grant Program, Small County Solid Waste Grants, and Small Community Waste Water Construction Grants.

Rural Infrastructure Fund

The Rural Infrastructure Fund facilitates the planning, preparing, and financing of infrastructure projects in rural communities. The program commonly funds assistance for water, wastewater, and road improvements. Three different types of project grants are provided under this program: (1) Total Project Participation Grants, (2) Feasibility Grants, and (3) Preclearance Review Grants. Between fiscal year 2000-01 and fiscal year 2006-07, a total of \$15.3 million has been provided for 44 projects. The maximum amount available per project is limited to 25 percent of total appropriated funds.⁴

Rural Community Development Revolving Loan Fund

This program provides financial assistance to rural local governments in the form of loan or loan guarantees at a low interest rate. It provides assistance for specific projects that will result in the creation of new jobs or increase the economic vitality of Florida's rural counties. Nine projects are currently funded through OTTED, including loans for several hospitals and other projects in rural areas of critical economic concern. The average loan is \$381,225.

Regional Rural Development Grant Program

The Regional Rural Development Grant Program is a matching grant program used to promote economic development, tourism, job creation, and business expansion. Funding is provided to regionally-based economic development organizations. All grants issued must be matched dollar-for-dollar by nonstate resources. In fiscal year 2006-07, OTTED awarded seven grants totaling \$270,000.

Small County Road Assistance Program (SCRAP)

This program, administered by the Department of Transportation, assists small county governments with resurfacing or reconstructing county roads. Florida law states that a small county for the purpose of this program is a county with a population of less than 75,000 according to the 1990 Federal Census—26 counties are eligible this fiscal year. Twenty-five million is appropriated annually; however this funding expires on June 10, 2010. The types of projects presently funded through SCRAP would be eligible for funding under the Small County Outreach Program.

Small County Outreach Program (SCOP)

This program, administered by the Department of Transportation, assists small county governments with resurfacing or reconstructing county roads, or in constructing capacity or safety improvements. Florida law states that a small county for the purpose of this program is a county with a population of less than 150,000 according to the more recent state population estimate by the Florida Office of Economic and Demographic Research—38 counties are eligible this year. In the 2007-08 fiscal year SCOP was appropriated \$46 million and funded 43 projects.

Small Cities Community Development Block Grant Program (CDBG)

⁴ This is equivalent to \$675,000 for the 2007-08 Fiscal Year.

This program provides guarantees for projects related to commercialization revitalization, economic development, or housing and neighborhood revitalization. Local governments applying for CDBG funds must consider national and state goals and objectives when developing proposals, and each proposal must meet at least one of the following three national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slum or blight; or (3) address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available. The program received \$29.7 million in federal funds for fiscal year 2007-08 and passed through \$26.9 million to local governments after administrative costs.

Small County Solid Waste Grants

This program provides grants to counties with a population of less than 100,000 for removal of solid waste. Grant proceeds may be used by counties for purchasing or repairing solid waste scales, maintenance of solid waste facilities, deferral of annual solid waste management program costs, education for employees or public, planning, recycling demonstration projects, construction of solid waste facilities, and litter control and waste tire activities. In fiscal year 2007-08, the total appropriation for the program was \$9.4 million or \$277,316 per a qualifying small county.

Small Community Waste Water Construction Grants

This program provides grants to financially disadvantaged small communities for purposes of financing adequate sewer facilities. Eligible communities are municipalities with a population of less than 7,500 and a per capita annual income less than the state per capita annual income.⁵ The Florida Department of Environmental Protection is tasked with providing grants, from funds specifically appropriated for this program, to finance up to 100 percent of the costs of planning, designing, constructing, upgrading, or replacing wastewater collection, transmission, treatment, disposal and reuse facilities, including all necessary legal and administrative costs.⁶

OTHER STATE'S INCENTIVES

Neighboring states such as Georgia, Alabama, Louisiana, and North Carolina target many of the same industries as Florida. Alabama and Georgia have been particularly effective at luring businesses away from Florida and winning competitions to attract businesses from across the country. This is perhaps most prevalent in Florida's Panhandle counties. Georgia and Alabama offer free land and building grants, tax credits and refunds, closing fund monies, and other incentives. The incentive packages offered by Alabama and Georgia, at times, put Florida at a competitive disadvantage, particularly Florida's rural counties. Some states, such as Texas and North Carolina, separate and centralize rural economic development programs and incentives. Other states, such as Alabama and Virginia, do not specifically provide for rural incentives but address rural economies through statewide economic development programs. Listed below are incentives offered in other states that put Florida at a competitive disadvantage in certain situations.

- Georgia, Alabama, and North Carolina offer large capital assets to businesses, including land, building grants, and up-front cash.

⁵ s. 403.1838(2), F.S.

⁶ s. 403.1838(3)(a), F.S.

- Alabama recently increased the bonding cap on its Capital Improvement Trust Fund from \$350 million to \$750 million. Oil and gas royalties are the trust fund's revenue source. Money generated through the sale of bonds can be used at the discretion of the Governor for governmental programs and capital improvements needed to attract businesses to the state.⁷
- The Alabama Industrial Development Training Program (AIDT) was created to recruit and train potential employees at no cost to the industry. AIDT provides job-specific, pre-employment, and on-the-job training. The program also provides trainee recruitment and screening and a full range of customized technical training programs that are free to the employers and to the trainees.
- California tax law allows for a special incentive for businesses that experience a financial loss during the first few years of operation. Businesses are allowed to carry forward a financial loss for the purpose of offsetting the loss in a subsequent fiscal year. This incentive helps businesses when they are in their infancy by allowing them time to work through early problems associated with getting a business off the ground.
- Georgia has the #1 workforce system in the nation due to its Quick Start Training.⁸ This program has existed for 40 years and provides customized training free-of-charge to qualified companies. In 2006, 259 Quick Start projects trained more than 45,000 employees.
- Louisiana provides property tax exemptions for businesses in the manufacturing industries. Businesses may receive an exemption from local property taxes (ad valorem), up to ten years, on new investments or additions. This exemption applies to all improvements to the land, buildings, machinery, equipment, and any other property, that is part of the manufacturing process.
- Louisiana also provides a tax equalization program. The program reduces a company's tax burden to match the tax rate, if lower, in a competitor state.
- North Carolina offers a broad variety of incentive programs specifically geared towards rural communities including a Microenterprise Loan Program for small businesses and Infrastructure Grants for large businesses considering relocation or expansion in rural areas.
- Texas coordinates all aspects of rural economic development through one agency—the Office of Rural Community Affairs. Texas' Small Business Loan Fund provides rural businesses with up to \$100,000 in working capital to promote job creation in rural areas.

⁷ Alabama Constitution, Amendments 450, 666, 796. http://www.legislature.state.al.us/CodeOfAlabama/Constitution/1901/Constitution1901_toc.htm.

⁸ Expansion Management, 2007 WORK FORCE TRAINING: Expanding Companies Come to Depend on State Work Force Training Programs, August 16, 2007.

RECOMMENDATIONS

Evaluation of the Approval and Award Processes

A common complaint from local economic development stakeholders was the amount of time the application and approval process takes. The committee examined process times for award programs and noticed that certain activities took lengthy periods of time. In many instances, it took the OTTED several months, to approve an application, and even more time for the execution of a contract. There were also instances when financial award payments were not provided until two years after the completion of the project. And many times, applications were submitted for evaluation without all the appropriate information. When this occurred it was usually several months before the business resubmitted a complete application. OTTED should review these processes in coordination with Enterprise Florida, Inc. to determine what actions could be taken to improve the processes. In addition, the Florida Legislature may want to consider shortening the timeline for OTTED to approve or deny an application to no more than 35 calendar days to ensure a timely response.

Improvements to the Economic Development Information System

The committee found several instances where data maintained on the Economic Development Information System was inconsistent, missing, or difficult to interpret. In addition, data that could be very useful to the Florida Legislature was not maintained or difficult to access. Information on projects should be edited and updated to provide accurate and complete data. Specifically, the committee would have liked to use the database to look at companies the state failed to attract, and to quickly obtain information on companies that failed to meet performance standards and the reasons for failure. The database should also be expanded to include information on the Innovation Incentive Program.

Implement Stricter Wage Requirements

The Florida Legislature should consider adjusting wage requirements for incentive programs. Many projects in non-rural counties are not paying wages similar with county private sector wage averages, and most projects examined did not pay wages that were similar with industry averages. The Florida Legislature should address these issues with higher wage criteria. In addition, the Legislature may want to consider setting wage criteria for the standalone Brownfield program. The state's economic development incentives should be centered on Florida's desire to attract high-wage jobs that will boost Florida's national ranking in per capita income. To advance this goal, wage criteria in law may need to be more stringent.

Help Grow Florida Businesses

Creating a business-friendly economy, encouraging growth of businesses already located in the state, and minimizing state regulations can make a difference for small businesses. Florida should invest more in growth strategies that will expand small businesses currently located in Florida. The Florida Legislature should consider implementing best practices of economic gardening and other methods for growing businesses in the state.

Codify the Rural Catalyst Project

The Rural Catalyst Project is currently undefined in statute. The committee recommends the Florida Legislature codify the Rural Catalyst Project and amend the Rural Economic Development Initiative to direct agencies to utilize all tools and resources available to facilitate the development of catalyst sites and the attraction of a catalyst project to a designated Rural Area of Critical Economic Concern.

Redefine Rural Counties

The committee recommends the Florida Legislature consider amending the definition for “rural” for Florida’s economic development programs. The Legislature may want to consider modifying the definition to reflect county density rather than total population, or raising the statutory population limits to account for the rural impact of statewide population growth.

Promote Rural Regional Economies and Greater Rural Assistance

The committee found that program funding limits often cause rural incentives to be awarded for incremental infrastructure improvement while often forgoing the ability to fund projects of regional significance. The committee recommends that each rural incentive program, with consideration for available funding, provide collapsible funding limits in cases where multiple joint applicants propose projects of regional significance. The Florida Legislature should reevaluate all incentive programs to consider increased inducements for investment in rural or impoverished communities.

Expand the Rural Infrastructure Fund

Rural counties’ number one impediment to business attraction is the lack of infrastructure. Limitations on funding per a project in combination with consistently small fiscal appropriations limit the ability of the Rural Infrastructure Fund to help rural communities. The Legislature may want to consider lifting the project cap and providing increased funding particularly for catalyst sites in Rural Areas of Critical Economic Concern.

Increase Incentives for Low-Income Communities

Economic development incentives can be especially beneficial if the project helps overcome involuntary unemployment or underemployment or helps local residents move up to higher paying jobs. As such, the Florida Legislature may want to consider new economic development programs in low-income communities, or expanding those that already exist. These programs should provide jobs that pay wages on par with the county private sector average wage or that measure income growth for underemployed or unemployed individuals.

Increase Funding for Infrastructure and Workforce Training Programs

Research indicates that state economic development should focus around workforce and infrastructure programs because these items are likely to remain in the state or community, while a business has the opportunity to leave at any point. In addition, Florida economic development stakeholders reported that their two most pressing needs were increased infrastructure and workforce funding. To this extent, and to better compete with programs in neighboring states, the Florida Legislature should also consider increasing the funding for the Economic Development Transportation Fund and workforce training programs.

PART II FLORIDA—ECONOMY AND GROWTH

STATE DEMOGRAPHIC AND ECONOMIC INDICATORS

The state has been actively recruiting businesses, and increasing trade and tourism to spur economic growth since 1980. Economic development incentives began in 1980 with the creation of the Road Fund. At that point in time, the Florida Legislature sought to bring a change to economic development in the state due to problems with the citrus industry, the decline of the construction industry, and the oil embargo. That year specifically marks the beginning of many state-created economic development programs. But how is the state doing? And what businesses has the state attracted through the use of incentives?

There are numerous ways to measure a state's potential and actual economic well-being—most commonly considered are a state's Gross Domestic Product (GDP), personal income, unemployment rates, and job creation. This information is readily available through both state and federal resources and is tabulated on a regular basis, and oftentimes on a monthly basis. For instance, the Agency for Workforce Innovation Labor Market Statistics Office issues a press release each month on state and county unemployment rates.

Many national organizations use these metrics to create nationwide indices that compare state economies. Florida consistently ranks high on independent reports measuring economic growth. Florida ranked 2nd among all states on the State Business Tax Climate Index published by The Tax Foundation and on The Cato Institute's Fiscal Policy Report Card. In addition, Florida ranked 5th on the Small Business Survival Index published by the Small Business and Entrepreneurship Council.⁹

Florida is recognized as a pro-business state due to its abundance of financial advantages, its business-friendly tax climate, and the state's conservative fiscal policy (i.e., balancing budgets, maintaining high reserves, ensuring fairness and transparency, focusing on spending reductions). These advantages allow Florida to stand out over both neighboring states and states on the other side of the country. On a 2008 State Business Tax Climate Index published by the Tax Foundation, Florida ranked 5th in the nation for a favorable business tax climate.¹⁰ In addition, the most recent data for key economic indicators show that Florida fared well compared to the U.S. as a whole, and competitor states.¹¹

Enterprise Florida, Inc. (EFI), the principal economic development organization for the State of Florida, was created in 1981. The organization is designed to aggressively establish a unified approach to market Florida as a pro-business location, retain and recruit businesses, create new businesses, and develop international trade and relations.¹² Florida's Economic Competitiveness: Key Comparative Benchmarks 2007, published by EFI,

⁹ Fischer, Peter. Grading Places: What Do the Business Climate Rankings Really Tell Us? Economic Policy Institute.

¹⁰ Enterprise Florida, Inc. 2007 Incentives Report.

¹¹ Based on 2006 data. It remains to be seen how Florida fared in 2007 during a slowdown of the economy because this data is not yet available.

¹² s. 288.9015, F.S.

identifies many of these same metrics and compares them with Florida’s regional competitors and Florida’s national competitors. The state’s regional competitors are Alabama, Georgia, North Carolina, South Carolina, and Tennessee, and the state’s national competitors are California, New York, Texas, and Virginia.

Florida’s Regional Competitors

Alabama
Georgia
North Carolina
South Carolina
Tennessee

Florida’s National Competitors

California
New York
Texas
Virginia

GROSS DOMESTIC PRODUCT¹³

The Bureau of Economic Analysis in the U.S. Department of Commerce considers the Gross Domestic Product (GDP) its most comprehensive measure of economic activity. The GDP is estimated by using the total market value of all goods and services produced in an area within a certain time period. In 2006, Florida’s GDP totaled \$610 million and represented 5.4 percent of the nation’s total GDP. Florida outpaces the U.S. average, including its national competitors and regional competitors for annual change in GDP. For the 2005-2006 year, Florida’s real GDP grew by 4.2 percent, ranking it the 12th highest growing state in the U.S. In comparison, the U.S. average growth in real GDP was 3.4 percent and Florida’s national competitors grew by 3.8 percent. While data for individual states is not yet available for the 2006-07 calendar year, the nationwide GDP saw a dramatic decline in the fourth quarter of 2007 indicating a strong slow down in the U.S. economy.

FIGURE 2 FLORIDA’S SHARE OF GDP GROWTH

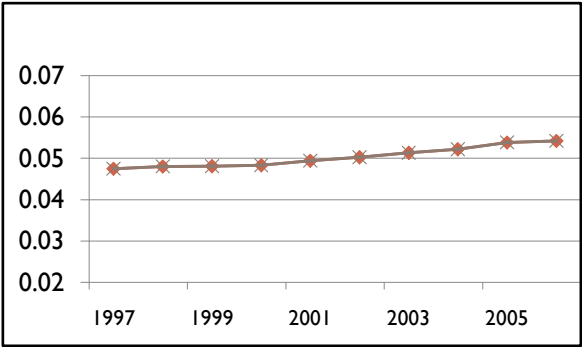
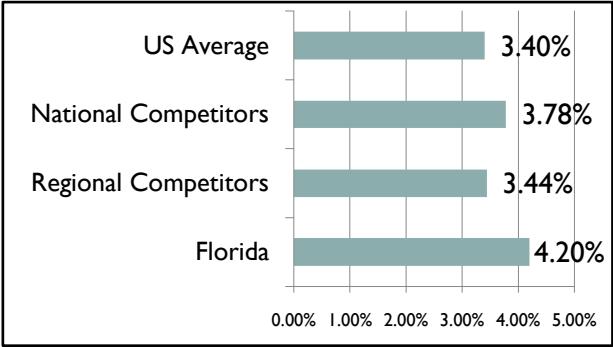


FIGURE 3 GROWTH IN REAL GDP, 2005-2006



¹³ Bureau of Economic Analysis, US Department of Commerce.

PERSONAL INCOME

Per capita personal income represents how much money an individual would make if all income was equally divided among a population. From 2005-2006, the growth of Florida's per capita personal income was similar to the growth of the United States and its national competitors. In addition, Florida outperformed its regional competition. In 2006, Florida's per capita personal income of \$36,665 was about the same as the U.S. average and exceeded Florida's regional competitors. In fact, Florida's per capita personal income was trailing the U.S. average but now is about the same as the national average and is the highest in the Southeast.¹⁴ The Legislative Office of Economic and Demographic Research estimates that income is expected to increase by 1.3 percent this year and grow 2.3 percent in the 2008-09 fiscal year.¹⁵

FIGURE 2 PER CAPITA PERSONAL INCOME GROWTH

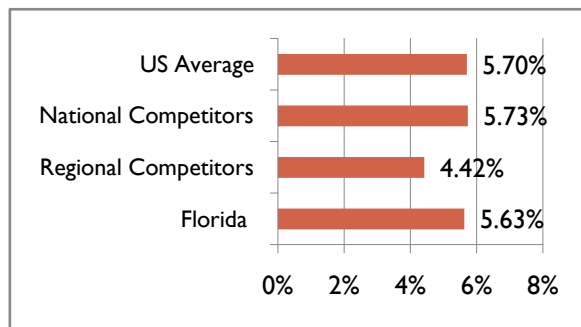
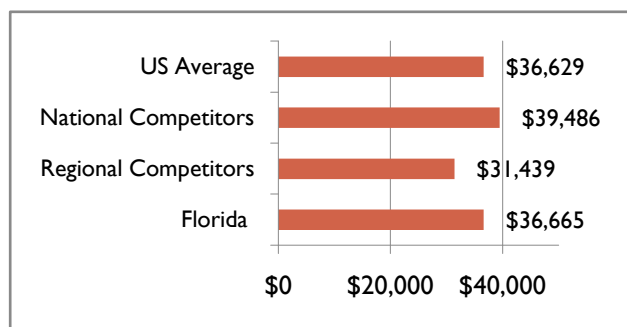


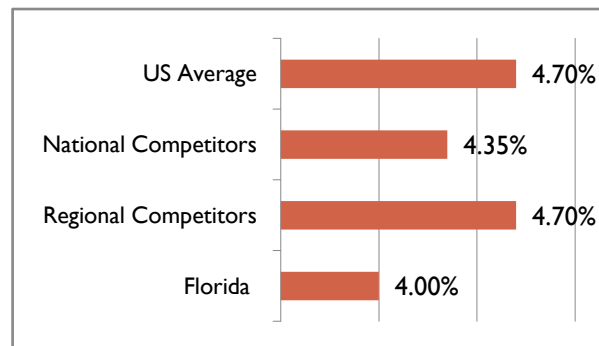
FIGURE 3 PER CAPITA PERSONAL INCOME, 2005



UNEMPLOYMENT RATE

An individual is considered unemployed and included in the federal calculation if he or she does not have a job, has actively sought work over the last 4 weeks, and is available to work. In 2006, Florida's unemployment rate of 4 percent remained below the national unemployment rate, and the unemployment rates of both the state's regional and national competition.¹⁶ In 2006, Florida had the lowest unemployment rate of the ten most populous states.¹⁷ Conversely, Florida's latest unemployment rate (for the month of December 2007) was 4.7 percent and is now the fourth lowest unemployment rate of the ten most populous states. Since the middle of 2002, Florida's unemployment rate has been below the national average.

Figure 4 Unemployment Rate, 2006



¹⁴ Bureau of Economic Analysis, US Department of Commerce.

¹⁵ The Legislative Office of Economic and Demographic Research, State of Florida Long-Range Financial Outlook Fiscal Year 2008-09 through 2010-11.

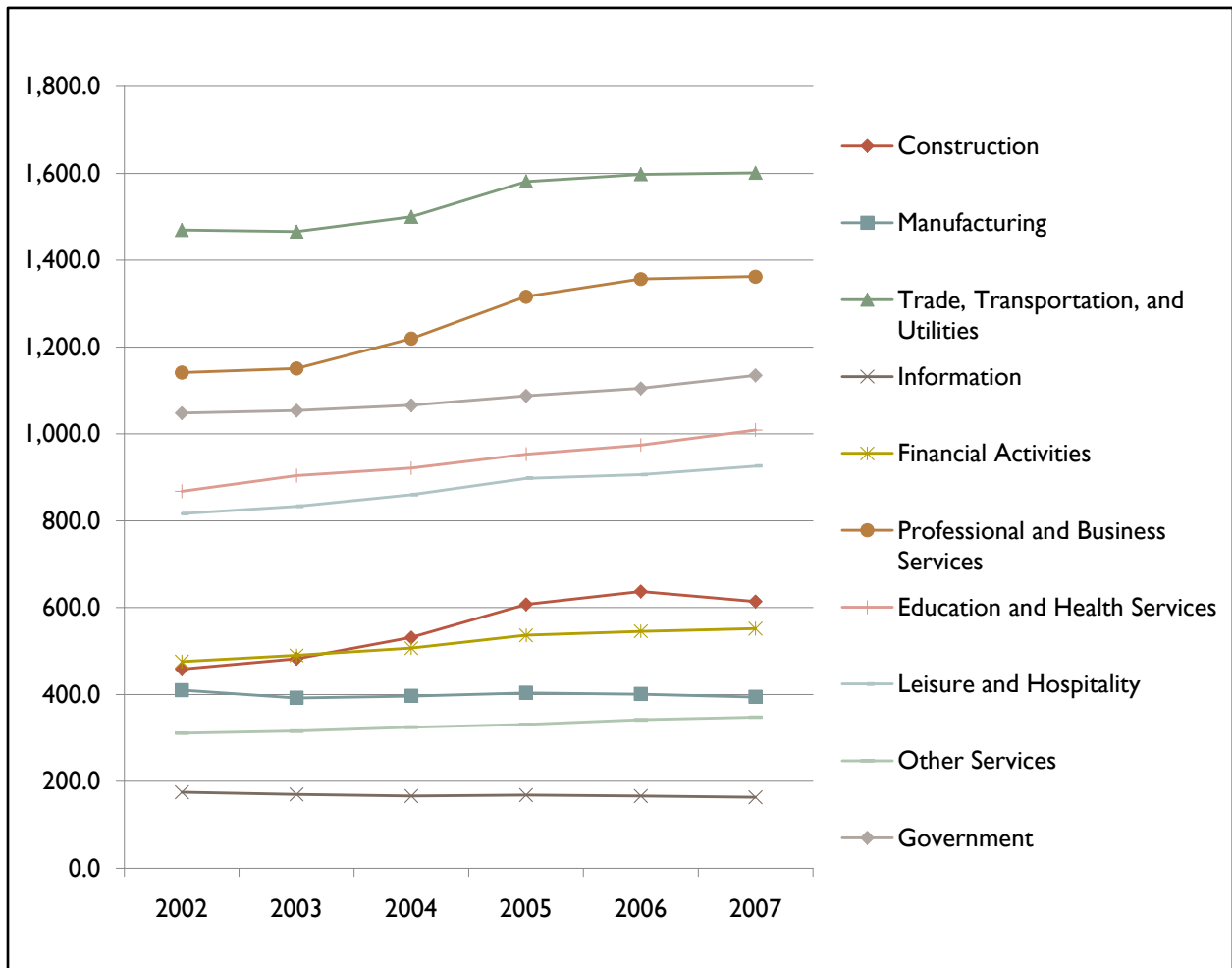
¹⁶ Information obtained from the U.S. Department of Labor, Bureau of Labor Market Statistics. Data based on September 2007.

¹⁷ Agency for Workforce Innovation, Florida's September Unemployment Rate Holds Steady, October 19, 2007.

EMPLOYMENT AND INDUSTRY GROWTH¹⁸

Florida added 85,800 new jobs between December 2006 and December 2007, ranking the state “third in job growth among the ten most populous states, behind Texas and Georgia.” Total nonagricultural employment grew by 1.1 percent in Florida over the last year. While most industries continue to grow in Florida, some, such as construction, have seen large reductions in employment. The construction industry lost 20,900 jobs, approximately 3.3 percent of total employment during the 2006-07 calendar year.

FIGURE 5 FLORIDA EMPLOYMENT BY INDUSTRY, 2002-2007



¹⁸ Florida Labor Market Statistics, Florida's September Unemployment Rate Holds Steady, January 18, 2008. Job growth based between December 2006 and December 2007.

Figure 5 shows that construction saw a spike in employment in 2005 and 2006, likely due to back-to-back destructive hurricane seasons. Also notice that while the growth in the construction industry is falling rapidly, employment in this industry is still higher than it was prior to 2004. Over the last year, construction lost 20,800 jobs. Other industries also saw losses in employment numbers, including manufacturing and information. While manufacturing had a net loss of 2.2 percent in the last year (or 8,600 jobs), a subset of the group—aerospace manufacturing—had nearly a four percent increase in the last year, gaining approximately 700 new jobs. The Legislative Office of Economic and Demographic Research reports that the state’s job growth has been slowing since September 2005, when it reached a peak of 5.2 percent. It is projected that Florida’s overall employment will grow by .9 percent in fiscal year 2007-08 and increase to 1.8 percent in fiscal year 2008-09.¹⁹

POVERTY IN FLORIDA

Between 2000 and 2004 Florida saw a decrease in the percent of individuals in the state living below poverty, from 12.8 percent to 12.6 percent, although, the U.S. Census Bureau reports the total number of individuals living in poverty increased from 1.99 million to 2.23 million. The percent of individuals living below the poverty level is lower in Florida than the state’s regional and national competitor states, and lower than the national average of 13.3 percent.

Percent of Individuals Below Poverty Level in 2006	
Alabama	16.6
California	13.1
Florida	12.6
Georgia	14.7
New York	14.2
North Carolina	14.7
South Carolina	15.7
Tennessee	16.2
Texas	16.9
Virginia	9.6
US Average	13.3

¹⁹ The Legislative Office of Economic and Demographic Research, State of Florida Long-Range Financial Outlook Fiscal Year 2008-09 through 2010-11.

WHAT RESEARCH TELLS US ABOUT THE IMPACT OF ECONOMIC DEVELOPMENT

Research on economic development has resulted in a mixed bag. Most research demonstrates some positive impact;²⁰ however, it is difficult to impossible to conclude that an incentive was necessary to lure a specific company to a particular community. Regardless of this lack of determination, multiple econometric studies have concluded that economic development incentives are able to impact regional and local growth. However, these impacts may not be larger than the costs incurred.²¹ And even if they are statistically significant, does the economic impact negate the cost of the incentive?

Peters and Fischer, professors and researchers on economic development policy at the University of Iowa, argue that the benefits demonstrated through state incentives are not so large that states should continue business incentives. They conclude that states should not try to micromanage economic growth but should rather adopt sound fiscal practices by implementing quality public infrastructure, public schools and letting the economy take care of itself.²²

Economic incentives have their fair share of critics. In 1995, over one hundred economists issued a press release calling for the end of business incentive programs.²³ There have been strong recommendations from researchers and nonprofit organizations that economic incentives generate no benefit, what is known as a “zero-sum” game, at the national level. In essence, states and cities end up competing with each other leaving some states and cities as winners, but also some as losers—from a national perspective there is no economic benefit. The only winner remains the corporation. And incentives become a net loss for taxpayers at a national level because businesses move from one state to another state.

Despite the zero-sum theory, some scholars argue that economic development does benefit the nation. “Economic development policies that enhance business productivity may also increase the efficiency of the national economy. Consumers throughout the nation benefit if businesses in one area can provide a better-quality product at a lower price.”²⁴

Regardless of whether there is a loss at the national level, state and local areas still compete and continue to expand economic development incentives as a means to build the local or regional economy. In addition, business site consultants continue to seek incentives for their clients, and businesses still search for ways to improve their bottom line.

As such, regulating incentives seems to be the most promising approach for states and locals to ensure some form of accountability when awarding incentive dollars.

As a leader in the support of economic development incentives, Timothy J. Bartik, has concluded that incentives are beneficial if implemented within certain policy guidelines. He concludes that incentives are socially beneficial if: (1) the project helps overcome involuntary unemployment or underemployment; (2) local employment rates increase more or local residents move up to higher-paying jobs; (3) the project locates in an

20 Peters, Alan and Fisher, Peter. “The Failures of Economic Development Incentives.” *Journal of the American Planning Association* 70 (2004) 30.

21 Bartik, Timothy J. “Solving the Problems of Economic Development Incentives.” *Growth and Change*, 36 (2005) 139-166.

22 Peters, Alan and Fisher, Peter.

23 Reed, Lawrence W. “Time to End the Economic War Between States.” *The Mackinac Center for Public Policy*, April 4, 1996.

24 Bartik, Timothy J. “Jobs, Productivity, and Local Economic Development: What Implications does Economic Research Have for the Role of Government?” *National Tax Journal*, Vol. 47, no. 4, Dec 1994, 847-61.

area where the public infrastructure is underutilized; and (4) the project overcomes regulatory and other barriers that may prevent certain areas, such as brownfields, from being productively used.²⁵ The research is clear that benefits from economic development incentives are largest when implemented in economically distressed areas.

Bartik's research also extends to make specific recommendations for implementing effective incentive programs. These include: better benefit-cost analysis, more up-front incentives, clawbacks, and a focus on hiring those under- or unemployed. Bartik's points are described below.

Better Benefit / Cost Analysis

State legislatures should require that every project pass through a complete benefit-cost analysis that includes: employment benefits, proportion of new jobs that would go to local residents, wage effects, the capacity of existing infrastructure, the environmental effect, as well as the impact on public expenses and revenues.

More Up-front Incentives

If possible, political leaders should provide incentives at the front of the project rather than passing the cost along to their successors. This pay-as-you-go method will help to reduce the costs of the project. However, since there is always the chance a business will leave the state; the greatest proportion of the incentive should be focused on customized training or infrastructure. Training and infrastructure will to some degree remain in the local area even if the business relocates.

Clawbacks

States and local programs should include "clawback" provisions for any incentive, as a method of recovering a portion of the incentive if the business does not meet performance goals.

Redesign Incentives to Focus More on the Social Benefits of Business Growth

Projects that target hiring local residents or the unemployed should be provided greater incentives.

Develop Unique Local Assets

Local areas can develop unique assets that help set their community apart from others. Two examples provided include "clustering" industries to attract business or having other amenities that would attract businesses. Bartik states that this option may be difficult for local areas, and even if implemented, businesses will have the option to locate in similar metropolitan areas.

Make Discretionary Incentives Truly Selective

States and locals should use criteria to select incentive winners. This could range from requiring evidence that the incentive will tip a location decision to benefit-cost analyses of projects.

²⁵ Id.

Transparency

The details of incentives should be made available for public disclosure to allow broader public debate. States should provide as much transparency as possible when designing economic development programs.

Job Quality and Other Project Standards

States may want to consider requiring minimum standards for job quality. These standards will help provide some assurance that the incentives are selecting businesses that will pass a benefit-cost test.

Bartik also warns policymakers that any benefits from economic development incentives will be largely reduced “under any of the following circumstances: low-unemployment local labor markets; lower wages of the new jobs; fewer local workers for the new jobs; significant public infrastructure or environmental costs.”²⁶

Discussed briefly above in Bartik’s specific recommendations for implementing effective programs, states can assure greater accountability by placing specific requirements in law. Several states and cities, including Florida, have passed laws that intend to provide greater accountability. The Washington State Institute for Public Policy identifies the following three standard approaches for accountability:

1. Qualifying conditions—may include creating a minimum number of jobs, specific wage standards, a minimum amount of capital investment, remaining at the site for a specified number of years, etc.
2. Disclosure laws—may require businesses to disclose certain business information from the amount of tax relief to the number of new jobs created. This information usually helps the state measure compliance with qualifying conditions.
3. Enforcement provisions—may include “clawbacks” that require partial or full payback of incentives or tax credits if certain conditions are not met.

JOB CREATION, JOB QUALITY, AND WAGES

Recent research on job creation efforts identifies that creating new jobs begins a “chain reaction” that affects many workers, more than those who directly obtain the new jobs.²⁷ Each new job creates a chain of job openings that will continue until either an unemployed worker assumes the job or someone from another area moves in to fill the position. In addition, this research points out that job creation should not consider solely the wage associated with that job, but the increase in wages an individual moving into the job will assume. This difference will account for the increased economic impact for that individual.

“The worker who gains a newly created job may improve his or her condition only marginally, but in turn other workers find their positions improved as they move up the job ladder. Admittedly, the sum of all these gains is still likely to fall short of the total wages the new jobs pay, wages commonly identified as benefits by an impact analysis. As so often is the case, the answer lies somewhere between the two extremes.”²⁸ The authors, Felsenstein and Persky, provide a model that can be used in addition with other cost-benefit analysis

²⁶ Id.

²⁷ Felsenstein, Daniel and Persky, Daniel. “Evaluating Local Job Creation.” *Journal of the American Planning Association* 73 (2007) 23-34.

²⁸ Id.

to estimate workers' opportunity costs.

Mentioned only briefly above as part of a cost-benefit analysis, there is general acceptance among economic development research that job quality should be a factor in determining whether to provide an economic development incentive to a business. In this manner, policymakers can be sure there is some minimum standard for projects. As supported by the organization Good Jobs First, the number of states and cities establishing job quality standards for incentives is expanding. "Wages continue to be the most common type of job quality standard."²⁹ The wage standards are generally defined by either (1) poverty measures, (2) a static dollar amount, or (3) by using market rates, such as a state average wage or industry average wage.

In general, basing a wage requirement on market rates ensures a higher wage than those based on poverty rates. For instance, in Florida, Holmes County ranks last in average annual wage of all 67 counties. In Holmes County, the average salary is \$25,656, or \$12.33 per hour.³⁰ The statewide average annual income in Florida is \$38,498, or \$18.51 per hour.³¹ Compare this to the 2007 federal poverty line for a family of four which is set at \$20,656, or \$9.93 per hour.³² By requiring an average wage to be either the state or county average wage, i.e., market rate, the minimum wage of new jobs far exceeds the poverty line. Using industry averages can also be helpful because it increases the likelihood that workers are able to move into higher paying positions without the need additional job training.

COMPETITION AND SITE SELECTION

To influence the location decision of companies, incentives must have a substantial impact on the site selection process by differentiating one location from another. Incentive packages are generally more important to a business later in the decision process.³³

Reduction in capital costs is a critical component for businesses. Many competitor states offer land grants, site preparation, and added infrastructure to businesses as part of the incentive package. Businesses have come to expect incentive packages. "In many parts of the United States it is presumed that infrastructure costs (utility and transportation) are the responsibility of the public sector."³⁴

Area Development, a site locator and facility planning company, conducts an annual study on site selection factors for corporate executives. The company surveys growing companies to determine what factors play the biggest role in relocation. Most of the companies surveyed are manufacturing businesses but other types of businesses were surveyed as well. Survey respondents are asked to rank factors as "very important," "important," "minor consideration," or "of no importance." *Area Development* then takes the factors listed as "very

29 Puriton, Anna and others. "The Policy Shift to Good Jobs." Good Jobs First, Nov. 2003. <www.goodjobsfirst.org>

30 Average Annual Wage 2006 preliminary, Quarterly Census of Employment and Wages, Labor Market Statistics Center, Agency for Workforce Innovation

31 Average Annual Wage 2006 preliminary, Quarterly Census of Employment and Wages, Labor Market Statistics Center, Agency for Workforce Innovation

32 U.S. Department of Health and Human Services. <<http://aspe.hhs.gov/poverty/07poverty.shtml>>

33 Sweeny, Mark. "The Challenges of Business Incentives for State Policymakers: A Practitioner's Perspective." Symposium: Job Creation in the States, Spectrum: The Journal of State Government, (winter 2004) 8-11.

34 Id.

important” and “important” and adds them together to determine its score.³⁵ Companies indicated the following top five factors as the strongest determinants for relocation: (1) Labor costs, (2) Highway accessibility, (3) Corporate tax rate, (4) State and local incentives, and (5) Availability of telecommunication services.

Over the past five years, site selection factors have rarely changed more than a few percentage points and the order in which they are ranked fluctuates slightly. The top-three ranked factors have been ranked in the top-four, the fifteen highest ranked factors have switched order but have remained the top fifteen factors, and eight of the top-ten factors have always been the same. Any state that cultivates its economy and infrastructure so that the top-fifteen factors are prevalent will be very attractive to growing companies from across the country looking to relocate.

2006 Site Selection Factors, Score		
1	Labor costs	95.0
2	Highway accessibility	90.9
3	Corporate tax rate	90.8
4	State and local incentives	88.6
5	Availability of telecommunication	88.3
6	Tax exemptions	86.7
7	Occupancy or construction costs	85.5
8	Availability of skilled labor	85.1
9	Energy availability and costs	82.4
10	Availability of high-speed internet access	82.1
11	Cost of land	79.2
12	Low union profile	78.4
13	Proximity to major markets	76.9
14	Availability of land	73.3
15	Environmental regulations	68.9
16	Right-to-work state	67.1
17	Availability of unskilled labor	65.3
18t	Raw material availability	64.1
18t	Availability of long-term financing	64.1
20	Accessibility to major airport	61.4
21	Training programs	56.0
22	Proximity to suppliers	49.3
23	Proximity to technical university	30.0
24	Railroad service	20.8
25	Waterway or seaport accessibility	17.0

35 Gambale, Geraldine. “21st Annual Corporate Survey.” Area Development. (2006).

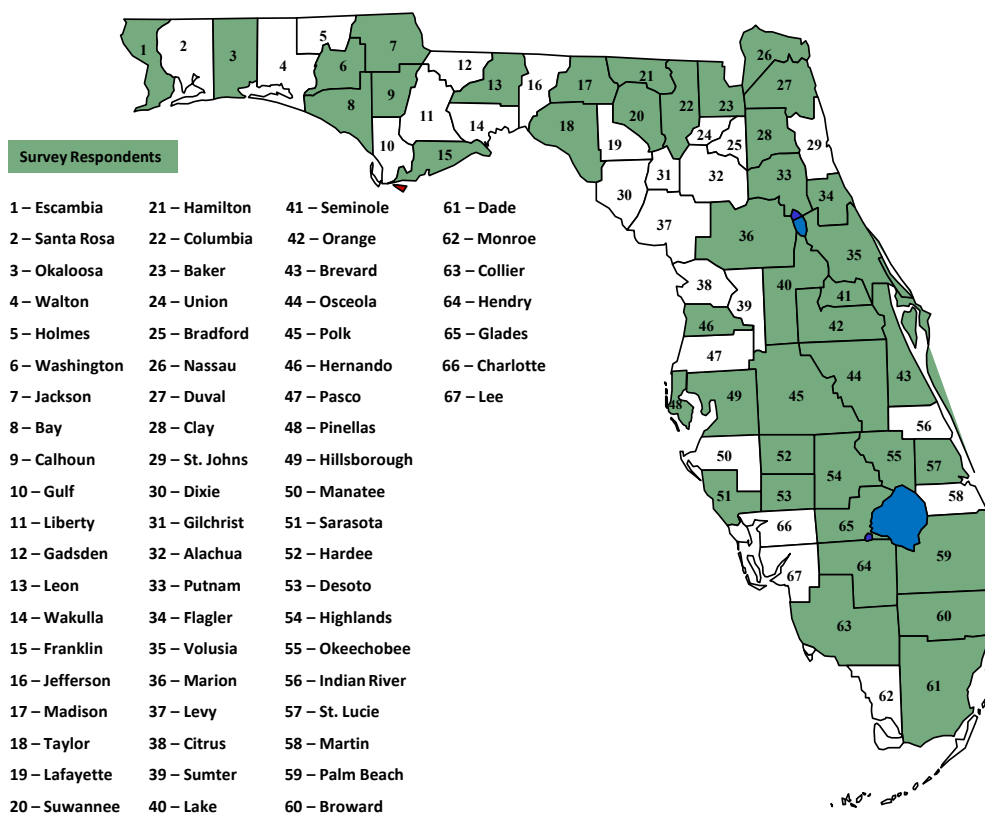
PART II FLORIDA'S NEEDS AND COMPETITION

STATE AND RURAL NEEDS

To gain feedback from stakeholders in Florida on state and local economic development needs and policies, the committee surveyed local economic developers in the state's 67 counties. In an effort to attain comprehensive results, the committee surveyed presidents of local chambers of commerce, directors of local economic development entities, and county managers.

Although the committee did not survey every economic development stakeholder in every county, the committee reached out to at least one representative from every county and more than one representative in most counties. The feedback ratio was sixty-three percent. The committee received response from 42 of 67 Florida counties. The committee secured responses from counties from all over the state, including urban counties, rural counties, counties that qualified as neither urban nor rural, counties near or on the coast of a major body of water, and inland counties. Of the 42 counties that responded, 18 are designated by the state as a rural county. Despite the lack of full participation, the entire state was represented from a geographic standpoint. Figure 8 provides geographical representation of counties that responded to the survey.

FIGURE 6 MAP OF SURVEY RESPONDENTS



The survey gathered a broad range of opinions and information from across the state. And the differences between rural and non-rural counties were evident. When asked how successful the county was at recruiting and retaining businesses—67 percent of non-rural counties said that their county was successful or very successful, only 40 percent (Figure 8) of rural counties made the same claim. Likewise, more rural counties, 33 percent thought that their county was inadequate, while only 19 percent of non-rural counties felt the same.

Counties were also asked to rank what type of return on investment was most important when recruiting potential businesses. The following choices were provided: job creation, attraction of high wages, health care coverage and benefits, attraction of high-tech industry, possibility of spin-off industries, increased tax revenue, overall return on investment, private capital investment, and partnerships with colleges and universities. The “attraction of high-wage jobs” was ranked as the most important return by more than half of respondents, or 58 percent. The second most popular response was “job creation.” Eighteen percent of respondents ranked this as their top consideration for a return-on-investment when recruiting businesses.

When rural counties were asked to rate their number one return-on-investment, the responses shifted. “Attraction of high wages” and “job creation” stayed as the top two priorities. However, “healthcare coverage and benefits” jumped dramatically to third. The creation of jobs with both high-wages and health coverage appears to be a top priority for Florida’s rural communities.

Statewide, infrastructure was reported as the most critical need, followed closely by additional workforce training. Other popular responses include but are not limited to property tax and insurance relief, expand incentive programs such as Qualified Targeted Industry Tax Refund Program (QTI), Economic Development Transportation Fund (Road Fund), Quick Action Closing Fund (QACF), provide affordable housing relief, more incentives for retention of businesses, and expand incentives for small businesses. The six needs identified most often by the counties are listed in the chart below.

FIGURE 7 SURVEY RESPONSES, ALL RESPONDENTS

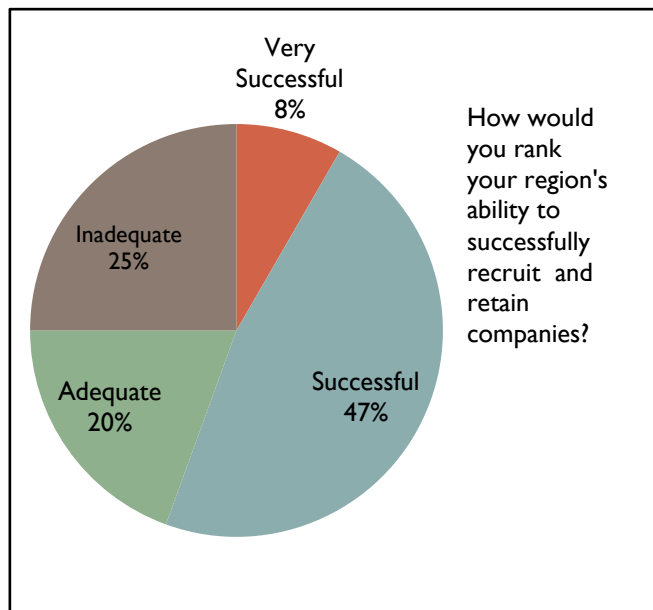
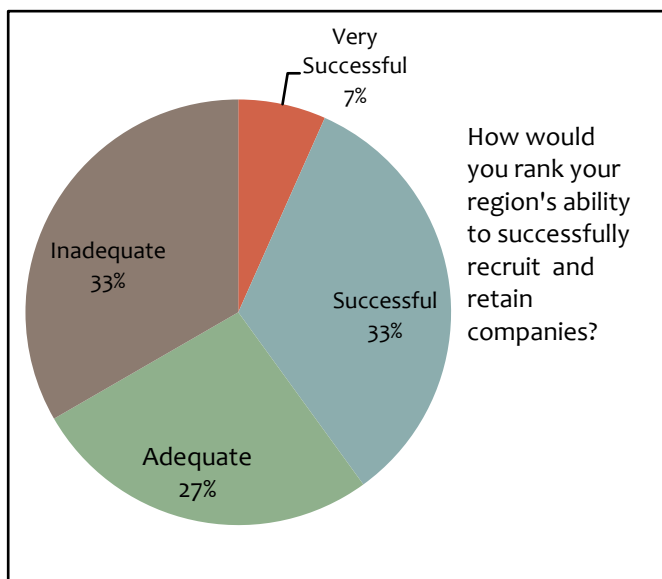


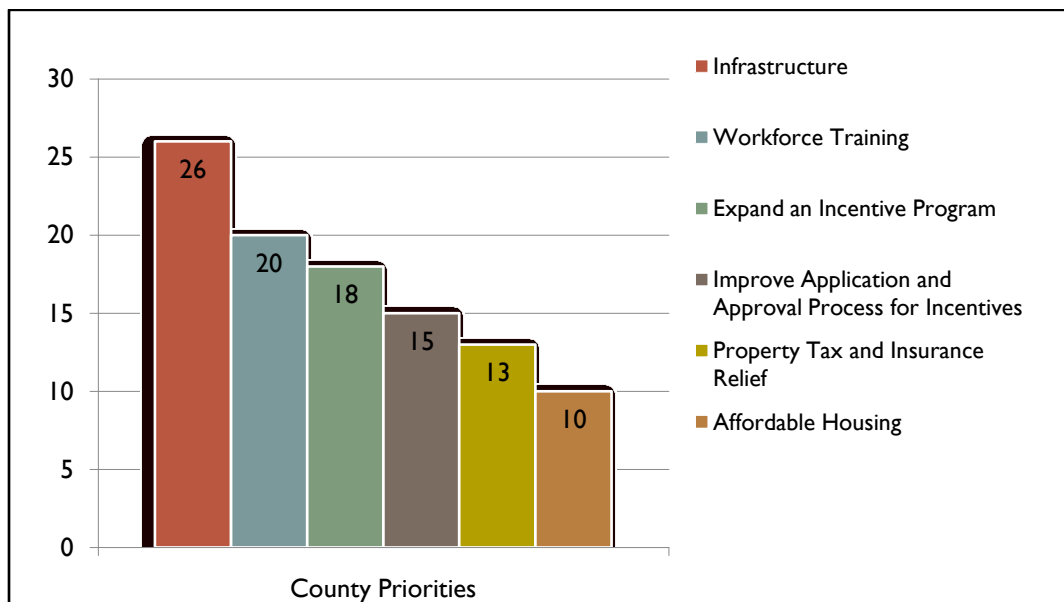
FIGURE 8 SURVEY RESPONSES, RURAL COUNTIES



WHAT TYPE OF RETURN ARE COUNTIES LOOKING FOR THROUGH BUSINESS RECRUITMENT? – Rural	
1	Attraction of high-wages
2	Job creation
3	Healthcare coverage/benefits
4	Increased tax revenue
5	Attraction of high-tech industry
6	Capital Investment (Private)
7	Possibility of spin-off industries
8	Overall return on investment
9	Partnerships with colleges/universities

WHAT TYPE OF RETURN ARE COUNTIES LOOKING FOR THROUGH BUSINESS RECRUITMENT? – Statewide	
1	Attraction of high-wages
2	Job creation
3	Attraction of high-tech industry
4	Increased tax revenue
5	Overall return on investment
6	Possibility of spin-off industries
7	Capital Investment (Private)
8	Healthcare coverage/benefits
9	Partnerships with colleges/universities

FIGURE 9 CRITICAL NEEDS IDENTIFIED THROUGH SURVEY



INFRASTRUCTURE

Counties report the number one need for local communities is the further development of critical infrastructure. Twenty-four counties listed infrastructure as one of its most pressing needs. The type of infrastructure needed varied but the most popular responses pertained to roads, utilities, and broadband services.

A huge need for Florida is the addition of new roads, expansion of current roads, or the improvement of current roads. The *Area Development* national survey identified highway access as the number two factor in site selection for growing companies. Local economic developers across Florida agree. Proper roads to provide access to key sites are critical to the attraction and retention of growing companies.

Urban counties, rural counties, and counties that qualify as neither urban nor rural listed the improvement of roads as a key factor in the recruitment of growing businesses. The need to improve infrastructure is not a problem exclusive to rural counties. A representative from Hillsborough County wrote, “We need to improve ground transportation, specifically the expansion and improvement of some vital roads.”³⁶ Respondents from Broward County noted that transportation systems need to be updated.³⁷ Pinellas County respondents stressed the need for funding for transit projects and transportation issues.³⁸

The need for increased or improved infrastructure spans the entire state and affects almost every county, but rural counties are in particular need of infrastructure improvements. Without infrastructure and shovel-ready sites, rural counties are unable to competitively attract businesses. All 18 rural counties that responded to the survey listed infrastructure expansion or improvement as one of its top priorities. Conversely, of the remaining 24 counties that are not designated as a rural county, only eight listed infrastructure as one of its most pressing needs. In total, 26 counties listed infrastructure as a critical need.

Respondents from Columbia County listed its most pressing need as infrastructure. “We need improvements in infrastructure to include water, sewer, gas, internet, fiber optics, and site-ready industrial parks.”³⁹ Calhoun County respondents noted that it needed, “Infrastructure, specifically road projects, water and sewer, and broadband”⁴⁰ to further economic development in the county. The responses from Columbia County and Calhoun County mirrored those of the other rural counties that responded to the survey.

Highway access, proper roadways, and a major airport are factors companies place great emphasis on when deciding where to relocate or expand. Access to high-speed internet is another disadvantage for rural counties. Some counties are still struggling to attain internet access and this makes further economic development difficult. Rural counties need adequate infrastructure to compete for businesses with other counties in the state and with other states.

36 ED survey. Greater Tampa Chamber of Commerce. (Sept. 2007).

37 ED survey. Broward County Office of Economic Development. (Sept. 2007).

38 ED survey. Economic Development Director, Pinellas County. (Sept. 2007).

39 ED survey. Columbia County IDA. (Sept. 2007).

40 ED survey. Calhoun County Chamber of Commerce. (Sept. 2007).

WORKFORCE TRAINING

Workforce training was listed by 20 of 42 counties as a critical need. After infrastructure, the expansion of workforce training programs was listed as the most common need for further economic development.

Workforce training is a key component to facilitate continued growth of Florida's economy. The state of Florida is one of the fastest growing states in the country. The population grows by over 800 residents daily but there is still a need for a skilled workforce.⁴¹ Workforce Florida, Inc. noted in its strategic plan that:

- Finding qualified workers is a top concern for sixty-four percent of businesses.
- By 2010, 15 of every 100 white-collar jobs will be left unfilled.
- Sixty-five of every 100 future jobs will require less than a four-year degree but training beyond high school.
- Seven of the 11 fastest growing occupations in Florida require a vocational certificate to enter the workforce.⁴²

It is vital that the state of Florida recognize the need for continued workforce training programs. Most, if not all, of the industries listed in the state's targeted industry list require a highly-skilled workforce. The companies on the targeted industries list offer coveted jobs for the state that pay a high wage. High-wage jobs have a ripple effect for the state's economy. People that have more disposable income spend more money on goods and services. That means more tax revenue for essential state services and better jobs for Floridians.

PROPERTY TAXES AND INSURANCE COSTS

Respondents to our survey listed a wide variety of needs for Florida. However, there were a few issues that were listed almost unanimously on the surveys and they included infrastructure, workforce development, and property tax and insurance relief. Florida's cost of living has risen dramatically in the last ten to twenty years due in part to a surge in property tax that accompanied the real estate boom of the early part of this decade and rising insurance costs related to devastating hurricanes. It should be noted that there are many other reasons for the increase in the cost of living in the state, but the aforementioned causes played a significant role.

Issues related to property taxes and insurance costs are not specific to certain counties—it is a statewide problem. Respondents from Bay County noted: "Property taxes and insurance costs are making us uncompetitive."⁴³ Brevard County listed its most pressing need as unpredictable business costs "due to hurricanes, insurance, property taxes and the cost of land/buildings/housing which increases wage pressures and other expenses."⁴⁴ When asked to name the biggest challenge facing Palm Beach County, respondents said,

41 Workforce Florida, Inc. 2005-2010 Strategic Plan. http://www.workforceflorida.com/news/docs/WFI_2005-2010_Strategic_Plan.pdf

42 Id.

43 ED survey. Executive Director, Bay County EDA. (Sept. 2007).

44 ED survey. Director of Business Recruitment, EDC of Florida's Space Coast. (Sept. 2007).

“The cost of doing business is seen as a barrier. The cost of insurance is high and sometimes not available at all. The property tax burden is frequently cited by businesses as a problem.”⁴⁵ Eleven of 42 counties listed property tax and insurance relief as its biggest challenge or greatest need. Although the remaining counties didn’t note such relief as its most pressing need, almost all counties addressed property tax and insurance costs as at least troublesome to the business community.

INCENTIVES

Florida’s economic development toolbox contains valuable incentives that attract growing companies to the state. Most state-sponsored incentives are tax credits, grants, or training programs. When businesses are looking to relocate to Florida, incentives help the state compete with other states in the region and across the country. The attraction of businesses that pay a high wage has become fiercely competitive as neighboring states such as Alabama, Georgia, and Louisiana offer expansive incentive packages.

The most popular state-sponsored incentive is the Qualified Targeted Industry Tax Refund (QTI). The committee’s survey respondents cited QTI more than any other state incentive, as the incentive they would like the state to provide additional funding for so that they could utilize more frequently. Respondents from Pinellas County cited QTI as an important tool in keeping Florida competitive with other states. “QTI is critical to our area. It allows us to level the playing field with out-of-state competitors.”⁴⁶ Similar sentiments were expressed by many of the counties.

Survey respondents singled out the Quick Action Closing Fund (QAC) and the Road Fund as vitally important programs in addition to QTI. Both the QAC and the Road Fund were just behind QTI in terms of needs identified by the counties. States such as Georgia and Alabama devote substantial resources to their respective QAC programs and have enjoyed success in attracting Florida businesses and out-of-state businesses looking to relocate to the Southeast. Florida was in direct competition for many of the out-of-state businesses. The Road Fund is important because it improves the infrastructure in local communities to allow them to attract growing businesses.

Other incentives such as the Incumbent Worker Training (IWT) and enterprise zone incentives were noted as valuable programs. Overall, local economic developers seem pleased with state-sponsored incentive programs. Many would like the programs expanded or funded at higher levels. At a time when Florida’s revenue collections are down, extra funding may not be available, however, prioritizing economic development programs to at least continue at current funding levels will be important.

The committee asked if there were ways to make Florida’s incentive package better and the answers were informative but not specific. An overwhelming number of survey respondents requested that the application and approval process for state-sponsored incentives be improved. Some counties felt the application process was cumbersome; others wanted an expedited approval process, while others wanted increased flexibility in

45 ED survey. Senior Vice President of Business Recruitment, Business Development Board of Palm Beach County. (Sept. 2007).

46 ED survey. Economic Development Director, Pinellas County. (Sept. 2007).

the programs. A total of 25 out of 42 respondents expressed some level of concern with the process and administration of one or more incentive programs. Of the 25 that expressed concern, 20 wanted to see either a change in the application process or an expedited approval process implemented.

When negotiating with a business looking to relocate to Florida, timing is pivotal. Often, negotiations move at a rapid pace. Businesses need to know what type of incentive package will be offered within a reasonable time frame. There are instances where businesses choose not to relocate to Florida due to uncertainties in the application and approval process.

Many survey respondents feel the approval process can be expedited in certain situations. “The state needs to make decisions in a more timely fashion. Accelerate the approval process for incentive programs. Unreasonably lengthy and costly delays are problematic and are damaging to our state’s business climate and reputation.”⁴⁷ Respondents from Bay County noted that, “It is a very bureaucratic process to get through the approval process. Many times the process is not conducive to the recruiting process.”⁴⁸ Miami-Dade County respondents had concerns over the lengthy approval process as well. “Faster turnaround times on approvals are essential to assure competitiveness. Many times incentive applications have been held 3 months and longer before a decision on approval of the incentive application was issued. This delay jeopardizes the project’s interest in the state, particularly when other states readily propose front end incentives, immediately without caveats.”⁴⁹ Because of the importance of timing as it relates to the recruitment process, the state may want to look at implementing an expedited approval process for business incentives.

RURAL COUNTY NEEDS

The survey asked three specific rural questions: (1) what is needed to get industrial parks ready for business; (2) if greater flexibility is needed for the provision of waivers with current state programs and whether any state requirements are prohibiting progress in attracting business; and (3) what impediments exist in accessing infrastructure improvements. Fourteen counties responded to the survey (a total of fifteen responses were received on account of two officials submitting survey responses from one county). Responses were general in nature and provided little recommendations or proposals for rectifying the impediments identified.

Counties reported a wide variety of issues preventing them from completing the industrial parks located in each district. Difficulty financing and securing infrastructure was the chief complaint among respondents. Common infrastructure issues included difficulty accessing sewer and water, transportation and limited access to broadband internet service. Several respondents have yet to secure appropriate parcels of land for their industrial park. Among those who responded to the survey, only Hardee County reported that their industrial park was “shovel ready.”

Respondents expressed a need for continuing flexibility and access to waivers for state sponsored programs. Rural counties reported reliance on waivers exempting local matching funds as a requirement for qualifying for

47 ED survey. Greater Tampa Chamber of Commerce. (Sept. 2007).

48 ED survey. Executive Director, Bay County EDA. (Sept. 2007).

49 ED survey. Miami-Dade Beacon Council. (Sept. 2007).

state funds. Respondents broadly expressed frustration with requirements that precede funding of a particular project, but are difficult to meet without existing funding (e.g., funds needed to attract businesses, but only available when businesses or jobs relocate).

Lack of adequate funding was the chief impediment to completing infrastructure improvements. Respondents additionally complained of difficulties understanding and satisfying permitting process requirements. Some respondents expressed their impression the state often acts as an adverse party in the process and requested the state work in partnership with the counties in securing permits.

RURAL COUNTIES AND INCENTIVES

When rural counties were asked which state incentive benefited them the most, the most common answer was the Qualified Target Industry (QTI) Tax Refund coupled with additional rural specific incentives. A respondent expressed that “dollar-per-job-created” incentives have become standard practice in the world of economic development incentives. Respondents from rural counties also expressed significant reliance on the Road Fund and Rural Infrastructure Fund, which they characterized as crucial to implementing necessary infrastructure upgrades which rural counties cannot independently finance.

Rural counties did not report receiving any local incentives that are currently not available statewide. Respondents from rural counties were not generally aware of incentives offered by other states which are not similarly offered by Florida. Respondents from counties located in the northern area of Florida, and thus likely to compete with localities in Georgia and Alabama, did report a lack of cash-based incentives that are offered by the neighboring states. Such programs include incentives for job training and rural-targeted infrastructure cash based closing funds. (More information on rural incentives offered by other states is available in Part IV of this report.)

Most rural respondents expressed satisfaction with the rural incentives offered in Florida. Respondents expressed a need to maintain incentives already in place and broaden funding to the extent possible. Respondents expressed that broadening and diversifying incentives in economically depressed rural areas is a critical concern.

“THE BIGGEST CHALLENGE”

All counties surveyed were asked the seminal question: what is the biggest challenge or problem facing your local area in regards to attracting businesses? Although responses among the counties were varied, common themes emerged from the responses.

The most prominent issue raised by respondents was a lack of properly trained workforce coupled with a generally high cost of doing business in Florida. In particular, insurance costs and property tax rates were the two most frequent factors cited with respect to the high cost of doing business in the state. Deficiencies in education and training were reported by some as contributing to the perceived inadequacies in the workforce.

Respondents from non-rural counties stressed that the cost of business and quality of life issues placed Florida at a distinct disadvantage over more attractive domestic and international options.

In summary, rural counties largely reported a critical need for infrastructure ranging from roads to broadband. Select rural counties also reported intense competition from Georgia and Alabama by way of cash incentives that are not presently available in Florida. Rural counties were unified in their desire to see an expansion of incentive programs specifically geared for rural development and improvement of infrastructure.

ECONOMIC AND BUSINESS INCENTIVES IN FLORIDA

Florida has pursued economic development through a variety of incentive programs for nearly three decades. The following section will give an overview of many of the popular incentive programs offered by the state. These programs are primarily delivered through the Governor's Office of Tourism, Trade and Economic Development (OTTED) and have provided both cash incentives and tax credits to a myriad of businesses across the state. In partnership with Enterprise Florida, Inc., the state's lead economic development organization, and local government and organizations, OTTED is able to use economic incentives to attract and retain businesses.

This report evaluates the following incentive programs:

- Economic Development Trust Fund (Road Fund)
- Qualified Targeted Industry Tax Refund Program (QTI)
- Qualified Defense Contractor Tax Refund Program (QDC)
- Brownfield Redevelopment Bonus Refund Program (Brownfield)
- High Impact Performance Incentive (HIPI)
- Quick Action Closing Fund (QAC)
- Innovation Incentive Program (Innovation)
- Capital Investment Tax Credit (CITI)
- Quick Response Training Program (QRT)
- Incumbent Worker Training Program (IWT)

The state has increasingly required higher standards and accountability measures to ensure Florida's tax dollars are being spent to result in the largest possible impact to the state's economy. For instance, many of the incentives attract only businesses within targeted industries, others require the creation of new jobs, and still others require a minimum wage requirement. In addition, EFI conducts a benefit-cost analysis on each project and penalties and clawbacks are built into every contract. These qualifying conditions are imperative to ensure Florida's programs are being implemented with minimum standards and provide the Florida Legislature the ability to guide the direction of the state's economic development activities. Figure 10 gives a broad overview of those programs that have qualifying conditions set in statute. In addition, the following pages will provide a more detailed analysis of each incentive program.

Businesses that have received or are contracted to receive a state incentive are tracked on a state database maintained by OTTED, commonly referred to as EDIS (Economic Development Information System). Also, a business that was approved for an incentive but never expanded or moved to the state may also appear on the database. The office tracks details on each business, including its industry sector, its facility type, the number of new jobs created or retained, the average annual wages for those jobs, private capital investment, and other useful data such as whether the business located in an enterprise zone or rural area of economic concern. In addition, the current status of the projects, as well as payments made-to-date are recorded and maintained on this database.

FIGURE 10 QUALIFYING CONDITIONS FOR FLORIDA BUSINESS INCENTIVES

Program	# of New Jobs	Wage Criteria	Benefits	Capital Investment	Local Match/Support	Rural Waiver for Local Support	Return On Investment / Economic Impact	Specified Industry/ Sector	Ongoing Progress Reports/ Claims	Penalty
Economic Development Transportation Fund (Road Fund)	★	★		★	★		★		✓	
Qualified Target Industry Tax Refund Program (QTI)	✓	✓		★	✓	✓	★	✓	✓	✓
Qualified Defense Contractor Tax Refund Program (QDC)	✓	✓		★	✓	✓	★	✓	★	✓
Brownfield Redevelopment Bonus Refund Program	✓		★	✓					✓	✓
High Impact Performance Incentive Grant (HIPI)	✓	★		✓			★	✓	✓	
Quick Action Closing Fund	★	✓		★	★	✓	✓	✓	★	★
Innovation Incentive Program	✓	✓		✓	✓	✓	✓	✓	✓	★
Quick Response Training Program (QRT)	★	✓			★					
Incumbent Worker Training Program					✓			★	✓	✓
Rural Infrastructure Fund	★	★		★	✓	✓	★			

★ Florida statute mentions the condition, but does not specify a standard.

✓ Required in Florida Statute with a specific standard.

To provide a comprehensive overview of the state's incentive programs, the committee obtained information from the Economic Development Information System (database). Each program was examined by individual projects. To ensure the committee was not analyzing information on businesses that never moved to Florida, any business that hadn't received a payment from the state (\$0) and who's current status was denoted as "terminated, pending termination, withdrawn, not eligible, closed, inactive, vacated, or disapproved" was removed from the calculations. These businesses either did not qualify for the incentive program, never proceeded to complete the contract process, never moved to Florida, or failed to meet the performance criteria needed to receive any payments. It was not possible to distinguish which businesses never received a payment due to failure of meeting performance conditions. New projects that fail to meet performance conditions are defined as "inactive," however, older projects that are defined as "inactive" did not have the same distinction. For older projects the term could mean that the project was closed out for multiple reasons, including that the business never located in the state.

The committee made two further adjustments to data to provide an accurate analysis of each of the programs. Between 1981 and 1999, there were 416 projects approved under the Road Fund that had limited information available on OTTED's database. These projects were eliminated from the analysis due to the lack of data—this left 80 projects that were examined under this project.⁵⁰ And lastly, when looking at totals for all programs, the committee had to remove duplicated job numbers, wages, or capital investment numbers. This duplication occurs when a project is approved for more than one incentive and the information is repeated under each program. It is necessary to have the duplicated information when analyzing individual programs; however, it would cause an overstatement in the number of jobs and capital investment if the duplicates remained in the total figures for all programs.

After these adjustments were made, a total of 639 projects were reviewed (or 551 projects with duplicates removed). This included 80 Road Fund projects, 451 QTI projects, 15 QDC projects, 50 Brownfield projects, six HIPI projects, 26 Closing Fund projects, three Innovation projects, and 11 CITI projects.

The committee was unable to evaluate many aspects of the program due to the lack of data or detail provided by the Economic Development Information System. For instance, industry data was missing for many projects and the status of projects are not always recorded consistently. Another problem was that the project facility type was often recorded as unknown or other, without a clear distinction. In addition, the database does not identify projects that Florida pursued but failed in attracting to the state. These issues limited the committee's examination.

⁵⁰ This lack of data stems from the transfer of data from the Department of Transportation to the Office of Tourism, Trade and Economic Development.

ANALYSIS OF FLORIDA'S ECONOMIC INCENTIVES

Once a company issues a request to Florida for assistance in relocating or expanding in the state, Enterprise Florida, Inc. works with its community partners to gather specific information about the company, demographics, and local incentives. After this is completed, EFI works closely with the business to identify its specific needs and identify solutions. These needs are matched with communities in the state that meet the business' needs. Long before an incentive is provided, EFI and OTTED have both reviewed the company's financial stability, how the company will benefit the state's economic goals, and a return-on-investment has been determined.

Florida's economic focus has been to attract high-wage jobs in key and targeted industries. Strong economies are built on jobs that pay a high wage. As noted earlier, Florida's 2006 per capita personal income is the highest in the Southeast. This is due, in part, to the state's effort to attract targeted industries that typically pay a high wage. Florida made attracting high-tech jobs a priority and it is paying off. The state ranked fourth in the U.S. in high-tech job employment during 2006.⁵¹ And Florida's pro-business climate is at least partially responsible for its strong economy. The state offers a low corporate income tax rate, no tax on personal income, and is one of the few right-to-work states in the country.

Higher wages for Florida's citizens equate to a higher standard of living and more discretionary funds for Florida's families. In Florida, wage data has been and continues to be the most common metric of job quality for the state's economic incentive programs. Enterprise Florida was created with specific direction to create high-wage jobs and Florida law focuses on wage data, rather than other measures, to determine job quality. To qualify for many of the state's economic development incentives, a business must offer a minimum salary for jobs created or retained. For instance, to qualify for the Qualified Target Industry Tax Refund Program (QTI) the average wage for new or retained jobs must exceed 115 percent of the local or statewide average private sector wage. The state has emphasized the creation and retention of high-wage and high-skill jobs as part of its overall strategy to improving Florida's economy.

In addition, effective planning and implementation of state incentive programs require a systematic analysis of economic impacts on the state. To this end, EFI does a benefit-cost analysis on each project to determine the expected state return-on-investment. This return-on-investment identifies how much state revenue will be generated by a specific project—it is not a measure of total economic impact. Commonly used by economists to perform these types of evaluations are input-output multipliers. Examples of these models include: RIMS, RIMS II, IMPLAN, and REMI.

RIMS II (Regional Input-Output Modeling System) is used most often by EFI to determine a benefit-cost analysis of each business offered a state incentive. The original RIMS was developed in the 1970s by the U.S. Department of Commerce Bureau of Economic Analysis, and in the 1980s a second version, known as RIMS II, was developed.⁵² RIMS II accounts for inter-industry relationships within regions and is best suited for estimating the impacts of small changes on a regional economy. Using this model, EFI is quickly able to estimate the fiscal impact of incentive projects on the state's economy. The return-on-investment (ROI) calculated by

⁵¹ Id.

⁵² Bureau of Economic Analysis, Regional Multipliers from the Regional Input-Output Modeling System (RIMS II): A Brief Description. Online at <http://www.bea.gov/bea/regional/rims/brfdesc.cfm>

EFI for each project is weighted by the number of jobs created and reported in aggregate under each economic development program in the following pages. The ROI identifies the state tax dollars that will be returned to the state for each project over a 10-year period. Because there is no guarantee that a businesses that receives a state incentive will stay in Florida, or the newly created jobs will stay in Florida, the ratio calculated by EFI includes a deflator based on the likelihood of a business remaining in the state over that time period. REMI and IMPLAN models are also used on occasion by EFI for larger projects (i.e., Burnham Institute), to calculate a benefit-cost analysis for certain projects. These models are better at predicting how a specific project can change a state's or region's economic activity.

In February 2005, the Collins Center for Public Policy published an in-depth report, in coordination with Global Insight, Inc., reviewing Florida's Qualified Target Industry Tax Refund Program and an analysis of the payback methodology used by EFI.⁵³ The report found that "the overall methodology is essentially correct in its design and its underlying economic methodology. The payback method properly estimates separately the fiscal benefits of three types of direct economic impacts: (1) increase in employment and the accompanying increase in individual earnings, which produces expenditures of disposable income; (2) the cost of constructing building and infrastructure; and (3) investment in manufacturing equipment and in non-manufacturing goods and services.

So how is Florida measuring up? The committee used two different methods to examine the average wage data provided by each business maintained on the Economic Development Information System. First, the average wage for each business receiving a state incentive was compared to the average statewide wage of its respective industry. Secondly, the committee compared the average wage with the average private sector county wage. The two questions the committee wanted to answer are:

1. Did the business receiving a state incentive offer a competitive wage compared with other businesses in the same industry in the state of Florida?
2. Did the business receiving a state incentive offer a wage that was on par with other private sector businesses in its county?

To perform both analyses, and make an apples-to-apples comparison, the average wage data for each business in the database was recalculated to reflect 2006 dollars. This wage data was then compared with the 2006 statewide industry wage data and the 2006 private-sector county wage data compiled and maintained by the Agency for Workforce Innovation's Labor Market Statistics Office.⁵⁴ The average industry wage for each business was determined by using the North American Industry Classification System (NAICS). The database maintains business industry data using NAICS codes. These codes were matched to average wage data either at the four- or six-digit level. The committee was unable to make industry wage comparison for every

⁵³ Florida Qualified Target Industry Tax Refund Program, Collins Center for Public Policy, February 2005.

⁵⁴ The average industry wage for each business was determined by using the North American Industry Classification System. The database maintains business industry data using NAICS codes. These codes were matched to average wage data either at the four- or six-digit level.

approved project due to a federal change in industry codes—but for most incentive programs there remained sufficient information to make a comparison.⁵⁵ However, there are some programs where the committee was unable to make an industry comparison and it is noted as such. The committee examined wage data for the following programs: Brownfield Bonus Tax Refund, Economic Development Transportation Fund (Road Fund), Qualified Defense Contractor (QDC) Tax Refund Program, Qualified Targeted Industry (QTI) Tax Refund Program, Quick Action Closing Fund (QAC), and High Impact Performance Incentive (HIPI). This information can be found under each program description.

As a whole, Florida’s economic development incentive programs support businesses that pay \$44,890, or 25 percent above the average private sector county wage. In addition, these businesses are paying wages that are higher than the 2006 statewide average private sector wage of \$41,057. However, these programs are not supporting businesses that guarantee wages on par with Florida industry averages. Out of 628 projects, 444 provided guaranteed wages above the average private sector county wage, while only 79 provided guaranteed wages above their respective industries in the state.

	Project Adjusted Average Wage	Average Industry Wage	Industry - Percent Difference	Average Private Sector County Wage	County - Percent Difference
All Programs	\$44,890	\$56,351	-26%	\$35,920	25%

The difference may be due to minimal contractual and statutory requirements. Businesses are required to provide a minimum wage to meet performance conditions and to avoid sanctions; however, oftentimes the businesses provide a higher wage than required for contractual purposes. The database records the minimum required wage set in the contract which could be artificially low to minimize the likelihood of financial penalties if the business fails to reach higher-wage standards.

However, when you break the projects down between rural and non-rural, the numbers appear slightly different. Projects in rural counties guaranteed wages 12.8 percent above the average private sector county wage; while projects in non-rural counties guaranteed wages only 0.2 percent above the average private sector county wage. This suggests that non-rural projects use statewide average wages to qualify for a project rather than county average wages—in essence lowering the minimum wage standard required.

As a whole, rural projects received 14 percent of total awards provided by incentive programs and accounted for 10 percent of projected new jobs. Rural projects represent 10 percent of all capital investment. Rural projects had a projected average wage of \$30,777, less than non-rural projects which had an average projected wage of \$37,381.

It is expected that wages in rural areas are less than non-rural. Not only is the cost of living usually less, but industries attracted to rural counties usually pay less than those that move into non-rural counties. The average industry wage for projects in rural counties is \$45,105, compared with \$57,811 for non-rural counties.

However, it is also important to note that projects in rural counties had a 10-year payback ratio of \$6 for

⁵⁵ The United States replaced the Standard Industrial Classification codes with the NIACS codes. As a result the Florida Agency for Workforce Innovation stopped tracking industry data by SIC codes in 2001.

every \$1 invested; while projects in non-rural counties had a ratio of \$15 for every \$1 invested.

This basic analysis of wages is helpful in getting a picture of the types of jobs Florida is providing incentives for. However, it does not provide a picture of what direction Florida's Legislature should take in developing future public policy. For instance, some individuals may believe that job creation should be the largest determining factor in attracting a business, and the state should place little emphasis on job quality. The upcoming sections will provide more wage analysis for each program.

FIGURE 11 SUMMARY OF PROGRAM PERFORMANCE

Program	Total Awards	Jobs Projected	Average Wage (\$2006)	Industry Wage (\$2006)	Capital Investment Projected	Total Payments	Enterprise Zones	Critical Rural Area	Brown-field	Rural County	10-Year Payback*
Brownfields - Standalones	\$6,545,000	2,668	\$22,752	\$26,723	\$405,601,093	\$110,931	8	0	17	0	\$21
Brownfields with QTI	\$11,282,000	4,526	\$42,929	\$58,503	\$500,174,577	\$518,334	18	6	33	7	\$15
ALL BROWNFIELDS	\$17,827,000	7,194	\$36,069	\$44,883	\$905,775,670	\$629,266	26	6	50	7	\$17
CITC	\$0	4,457	\$54,277	---	\$1,797,621,000	\$0	---	---	---	---	
QAC	\$53,586,700	9,028	\$58,813	\$66,442	\$1,458,863,000	\$34,144,500	2	0	0	2	\$23
Road Fund	\$73,317,989	17,664	\$39,385	\$48,323	\$1,795,133,443	\$48,294,194	14	7	2	25	
HIPI	\$32,900,000	2,230	\$65,123		\$1,826,100,000	\$17,875,000	0	0	0	0	\$11
QDC	\$12,151,388	2,209	\$53,976	\$51,241	\$46,142,000	\$4,000,169	1	0	0	0	\$14
QTI	\$349,839,067	87,589	\$45,665	\$58,097	\$6,447,503,389	\$92,597,536	64	26	31	41	\$16
TOTALS / AVERAGES	\$539,622,144	108,875	\$44,890		\$11,076,223,425	\$197,540,665	85	28	52	59	\$14

* Information weighted based on the number of jobs created per project

ECONOMIC DEVELOPMENT TRANSPORTATION FUND

The Economic Development Transportation Fund, commonly referred to as the Road Fund, is an incentive created to alleviate transportation problems that impact a company's location decision. Often, businesses seeking to locate or expand in Florida need infrastructure improvements around their location site. In cases where a desired business is considering relocating to Florida, this fund may help in the recruitment process by providing the crucial infrastructure needed for business activity.

Road Fund Data since 2000
\$73,317,989 in total awards
17,644 jobs created or retained
\$1,795,133,433 in total capital investment
\$48,284,194 in total payments
14 projects in an enterprise zone
7 projects in rural areas of critical economic concern
2 projects in brownfields
25 projects in rural counties

The award amount is based on the number of created or retained jobs and the total project costs, up to \$5,000 is available for every created or retained job, and capped at no more than \$2 million per project.⁵⁶ However, higher award amounts may be provided to projects that are located in distressed areas or projects which will result in a significant capital investment. Funds are made available to the local government with jurisdiction over the project site for the purpose of transportation improvements.⁵⁷

For fiscal year 2007-08 the Road Fund was appropriated \$25.4 million from the State Transportation Trust Fund and \$6 million from the General Revenue Fund. Governor Crist used veto power to reduce the total appropriation to \$11.4 million in funds from the State Transportation Trust Fund and \$2 million from General Revenue by eliminating several Legislative projects.

Although any business or local government may initiate a Road Fund project by consulting with Enterprise Florida, Inc., the official applicant is the local government with jurisdiction over the land.

Recent Funding Levels

- FY 2003-04, \$10 million
- FY 2004-05, \$16.7 million
- FY 2005-06, \$4 million
- FY 2006-07, \$10 million
- FY 2007-08, \$11.4 million

Eligibility requirements for Road Fund projects are provided for in Florida law. Some examples include:

- Road Fund projects shall be approved only for the purpose of attracting new jobs, expanding a business, or retaining jobs in existing companies operating within the state.
- Road Fund dollars may not be expended for the purpose of relocating a business from one part of the state to another unless OTTED determines that the business will move outside Florida or that the business has a compelling economic rationale for the relocation which will result in the creation of additional jobs.

⁵⁶ Enterprise Florida, Inc. website: <http://www.eflorida.com/ContentSubpage.aspx?id=472>. (June 2007).

⁵⁷ Enterprise Florida, Inc. "Economic Development Transportation Fund." 2006 Incentives Report. (2006): p. 24.

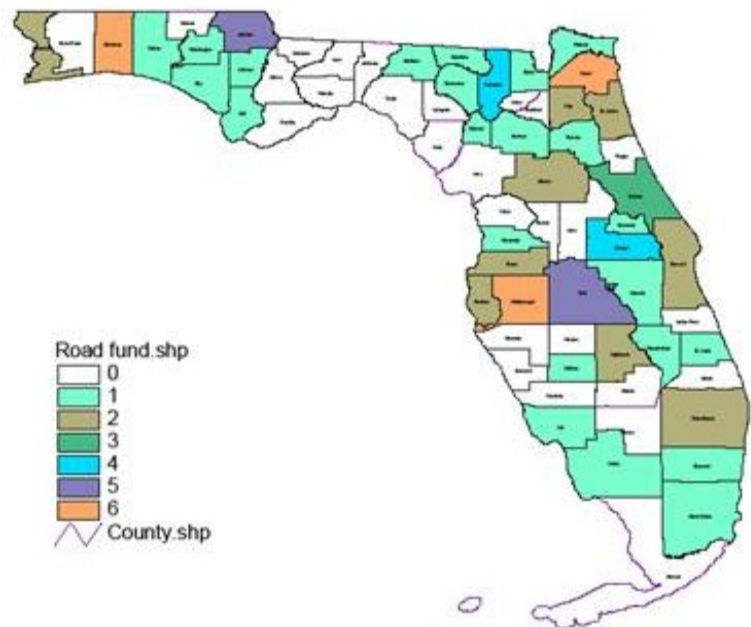
Applications are received and reviewed by EFI, with recommendations for funding being forwarded to OTTED for approval. Before approval, OTTED consults with the Department of Transportation, the Department of Community Affairs, and the Department of Environmental Protection so that concerns from those agencies, if any, are alleviated. In addition, the local government official applicant must adopt a resolution to accept responsibility for future repair and maintenance of the project.⁵⁸

In making a decision for funding, OTTED is directed to consider factors such as the cost per job created or retained, the average wages for jobs created, the location of the project, the amount of capital investment from the business, local support, the location of the project, and the adoption of an economic element as part of its local comprehensive plan.⁵⁹

Since 2000, 80 businesses are classified “active” or have received payments under the economic development transportation fund. Of these 80 projects examined, 25 were located in rural counties with seven of the 25 projects located in rural areas of critical economic concern. The projects located in rural counties received \$25.3 million in Road Fund awards. Fourteen Road Fund projects were located in an enterprise zone with 9 of the 14 projects located in rural counties. Two projects in rural counties were located in Brownfield areas and received just over \$1 million in awards.

As a group these 80 projects paid 21 percent more than the average private sector county wage. However, three of these projects paid below the 2006 federal poverty line for a family of four (\$20,000)—all of which located or expanded in a rural county.

FIGURE 12 DISTRIBUTION OF ROAD FUND PROJECTS



⁵⁸ Information contained in this paragraph can be found: s.288.063, F.S.

⁵⁹ s. 208.063, F.S.

The committee ran into several problems in trying to analyze the businesses qualified for this incentive program. There are an additional 416 businesses under this program on the state's database that were approved or considered from 1981 to 1999. As mentioned earlier, the committee excluded these projects from its analysis due to a lack of data.⁶⁰ In addition, of the 80 businesses that were analyzed, only 24 had NAICS industry codes that the committee was able to use to match to average industry wages. For this reason, the committee decided to omit the industry wage comparison for this program. Furthermore, four of the 80 projects approved since 2000 did not have a projected average wage recorded on the database.

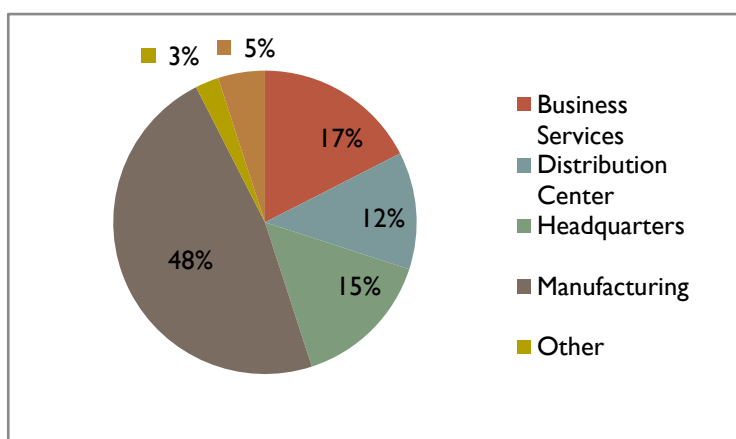
	Project Adjusted Average Wage	Average Statewide Industry Wage	Industry - Percent Difference	Average County Wage	County - Percent Difference
Road Fund	\$39,385	*	*	\$32,607	21%

Out of the 80 Road Fund projects reviewed by the committee:

- 18 projects paid less than the average industry wage and 6 projects paid more than the average industry wage;⁶¹
- 23 projects paid less than the average county private sector wage and 53 projects paid more than the average county private sector wage.

Manufacturing projects comprise nearly half of the total Road Fund projects. Business services, distribution centers, and corporate headquarters represent a large portion of the remaining projects.

FIGURE 13 ECONOMIC DEVELOPMENT TRANSPORTATION FUND INDUSTRY BREAKDOWN



⁶⁰ This lack of data stems from the transfer of data from the Department of Transportation to the Office of Tourism, Trade and Economic Development.

⁶¹ 56 projects did not have an industry code recorded in the database that could be used to make an industry wage comparison.

QUALIFIED TARGET INDUSTRY TAX REFUND PROGRAM (QTI)

Florida has made targeting specific industries a priority in its efforts to further economic development in the state. The Qualified Target Industry Tax Refund Program (QTI) was created by the Florida Legislature in 1994 to attract businesses that offer high-wage jobs, particularly headquarters, to relocate in Florida. Respondents to the committee's survey listed the QTI program as the most utilized incentive and the most useful incentive overall. QTI received positive marks with regard to the program's ability to positively affect development from rural and urban counties alike.

QTI Program Data
\$349,839,067 in total awards
87,589 jobs created or retained
\$6,477,503,389 in total capital investment
\$92,597,536 in total payments
64 projects in an enterprise zone
26 projects in rural areas of critical economic concern
31 projects in brownfields
41 projects in rural counties

Businesses that locate or expand in Florida are eligible for tax refunds of \$3,000 per new job created. The tax refund increases to \$6,000 per job for businesses that locate in an enterprise zone or rural county. In addition, a business is eligible for a \$1,000 per job bonus if it pays over 150 percent of the average wage in the area, and a \$2,000 per job bonus if it exceeds 200 percent of the average wage.⁶² To qualify, the business must secure the local government's support. A local government is required to provide at least 20 percent of the amount of the state's award.⁶³

EFI and OTTED work together to administer the program and develop the list of targeted industries.⁶⁴ Desired industries are manufacturing facilities, financial and insurance services, information industries, and scientific services, among others. (See Appendix A for the Targeted Industries List) These industries typically provide high-wage jobs, have a large non-Florida customer base, and induce job creation in other sectors so as to maximize the economic impact of a single project.⁶⁵

Florida law requires a QTI award to be offered only when specific criteria are met. The local government with jurisdiction over the land on which the QTI project will be located must pass a resolution in support of the project. The business must agree to create a minimum of 10 new jobs and pay an average wage that is at least 115 percent of the average private sector county wage or the average private sector statewide wage. (Wage requirements may be waived if the project is located in an enterprise zone, a brownfield area, or a rural county.) If an applicant meets all application requirements, their proposal will be determined with the following criteria:

Recent Funding Levels

- FY 2003-04, \$21 million
- FY 2004-05, \$22 million
- FY 2005-06, \$22.9 million
- FY 2006-07, \$24.7 million
- FY 2007-08, \$14.7 million

62 s. 208.106, F.S.

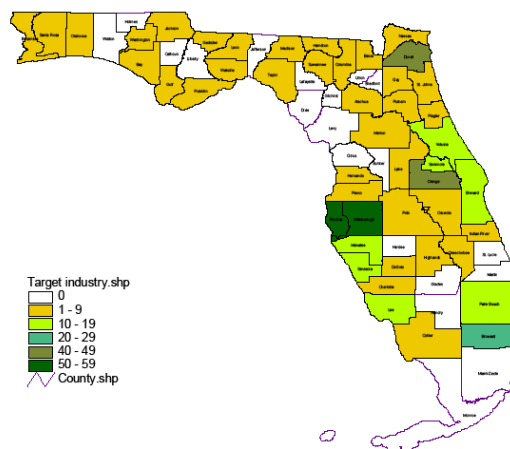
63 Id.

64 The Targeted Industries List was last updated in 2001.

65 Enterprise Florida, Inc. "QTI Tax Refund." 2006 Incentives Report. (2006): pp. 8-16.

1. How the project relates to the state strategic economic development plan adopted by EFI, taking into account the long-term effects of the project on the state economy.
2. The number of jobs created and the average wage of those jobs.
3. The amount of capital investment.
4. The local commitment and support for the project.
5. The effect of the project on the local community, taking into account the unemployment rate for the county where the project will be located.
6. The effect of any tax refunds on the project and the probability that the project will be undertaken in the state if any tax refunds are granted and the expected long-term commitment of the applicant to economic growth and employment in this state.
7. The expected long-term commitment to this state resulting from the project.
8. A review of the business's past activities in Florida or other states, to include whether the business has been subjected to criminal or civil fines and penalties.⁶⁶

FIGURE 14 DISTRIBUTION OF QTI PROJECTS



In 2002, the Legislature created an Economic Stimulus Exemption (ESE) to ease the performance requirements of QTI in wake of the terrorist attacks on September 11, 2001. This provision gave businesses an extra year to meet job creation and wage criteria if needed. In 2005, the program was modified again so that the ESE would include hurricane and tropical storm catastrophes. This modification gave some businesses a waiver for local financial support if they were locating in a county that was cash-strapped from dealing with the aftermath of hurricanes.

For fiscal year 2007-08, the QTI program received \$14.7 million, a substantial decrease from the \$24.7 million appropriated in fiscal year 2006-07. This reduction was based on historical reversions for the program. Funding sources for the QTI program include General Revenue and local matching dollars.

As one of the most popular incentive programs, 451 businesses are currently active or have received payments under the QTI program. Combined, these businesses guaranteed wages 13 percent below the average industry wage and 25 percent more than the average private sector county wage.

Jobs resulting from QTI projects pay an average wage of \$45,665, which is 11 percent more than the statewide average private sector wage of \$41,057. The 10-year payback ratio is \$16 for every \$1 invested.

⁶⁶ s. 288.106(3)(c), F.S.

	Projected Adjusted Average Wage	Average Statewide Industry Wage	Industry - Percent Difference	Average Private Sector County Wage	County - Percent Difference
QTI Projects	\$45,665	\$58,097	-21%	\$36,499	20%
Rural QTI	\$30,780	\$43,455	-29%	\$27,247	12%

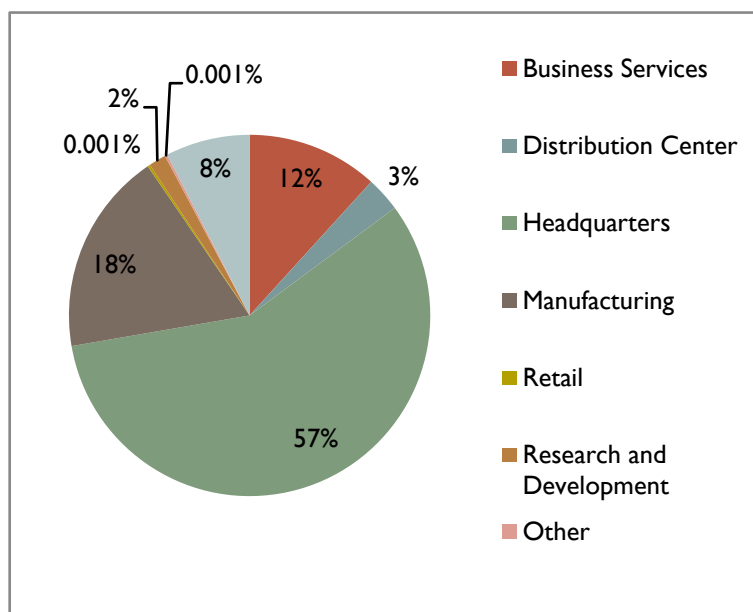
The chart above provides a total for all QTI projects, plus a separate row for the 40 QTI qualified businesses which located or expanded in a rural area. The data shows that rural QTI businesses are more likely to pay less. This should be expected as businesses often perceive rural areas as more attractive due to a lower cost of labor.

Of the 451 businesses analyzed, three projected average wages that were below the 2006 federal poverty line for a family of four. All were located in an enterprise zone or rural county.

The data for this program shows large discrepancies in wages offered by qualified businesses, for instance, one business paid 295 percent more than the average private sector county wage while another paid 52 percent less. Out of the 451 projects reviewed:

- 200 projects paid less than the average industry wage and 57 projects paid more than the average industry wage ;⁶⁷
- 125 projects paid less than the average county private sector wage and 325 projects paid more than the average county private sector wage.⁶⁸

FIGURE 15 QTI PROJECTS INDUSTRY BREAKDOWN



⁶⁷ A total of 194 projects did not have an industry code recorded in the database that could be used to make an industry comparison.

⁶⁸ One project did not have wage data recorded in the database.

QUALIFIED DEFENSE CONTRACTOR PROGRAM (QDC)

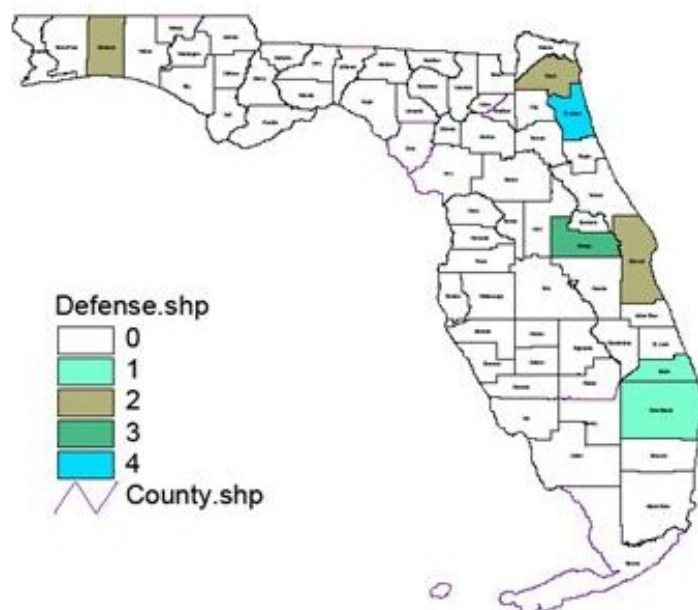
In 1993, Florida made a commitment to expand its high technology employment base by creating the Qualified Defense Contractor Program (QDC). This program gives Florida contractors specializing in national defense and homeland security an advantage in acquiring new contracts and converting contracts to commercial production.⁶⁹ The statute does not clearly qualify contracts related to the aviation and aerospace industries, or those projects associated with the National Aeronautics and Space Administration (NASA).

QDC Data
\$12,151,388 in total awards
1,741 jobs created or retained
\$36,682,000 in total capital investment
\$4,000,169 in total payments
1 project in an enterprise zone
0 projects in rural areas of critical economic concern
0 projects in brownfields
0 projects in rural counties

Qualified defense contractors may be eligible for up to \$5,000 per job created or saved in Florida through “the conversion of defense jobs to civilian production, the acquisition of a new defense contract, or the consolidation of a defense contract which results in at least a 25 percent increase in Florida employment or a minimum of 80 jobs.”⁷⁰

Florida law provides qualified applicants a variety of state tax refunds. This includes exemptions or refunds for sales and use taxes, corporate income taxes, intangible personal property taxes, excise taxes, communication services taxes, and ad valorem taxes.⁷¹ These businesses are required by statute to pay wages at least 115 percent above the average local wage.

FIGURE 16 DISTRIBUTION OF QDC PROJECTS



In 2002, the Legislature created an Economic Stimulus Exemption (ESE) to ease the performance requirements of QDC in wake of the terrorist attacks on September 11, 2001. In 2003, the statute was modified so homeland security contractors were eligible to participate in the QDC program. In 2005, the program was modified again so that the ESE would include hurricane and tropical storm catastrophes.

To date, the program has received 34 applications with 28 gaining approval. Of the 28 applications approved, 15 have met the performance requirements necessary to receive payment. There are currently eight

69 Enterprise Florida, Inc. website: <http://www.eflorida.com/ContentSubpage.aspx/?id=472>. (June 2007).

70 Id.

71 s. 288.1045(2)(F), F.S.

active or completed projects. These eight projects are located in five different counties: Brevard, Duval, Okaloosa, Orange, and Palm Beach. One active project is located in an urban enterprise zone.⁷²

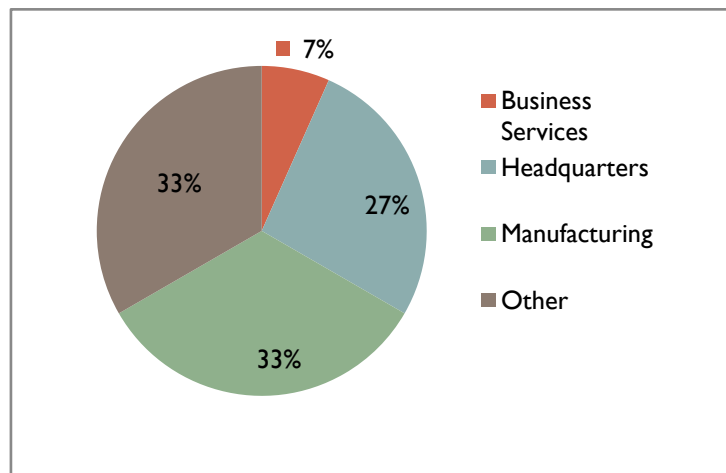
The 15 businesses that have received payments under the QDC program project average wages exceeding both the industry average wage and the average private sector county wage. These businesses guaranteed wages more than 42 percent above the average county wage. The jobs created or retained by the QDC program pay an average wage of around \$53,976. QDC currently has a 10-year payback ratio of \$14 for every \$1 invested.

	Project Adjusted Average Wage	Average Statewide Industry Wage	Industry - Percent Difference	Average Private Sector County Wage	County – Percent Difference
QDC Projects	\$53,976	\$51,241	5%	\$38,041	42%

In fiscal year 2007-08, the program was appropriated \$118,750 based on contractual obligations. The program is funded by General Revenue and local matching dollars.

Below is a chart depicting the industry breakdown of QDC projects. The portion of the graph labeled “Other” represents those businesses that are not identified in OTTEDs database.

FIGURE 17 QDC PROJECTS INDUSTRY BREAKDOWN



Recent Funding Levels

- FY 2003-04, \$330,000
- FY 2004-05, \$412,500
- FY 2005-06, \$412,500
- FY 2006-07, \$118,750

72 Enterprise Florida, Inc. “QDC Tax Refund.” 2006 Incentives Report. (2006): pp. 17, 18.

BROWNFIELD REDEVELOPMENT BONUS REFUND

In 1997, Florida enacted the Brownfield Redevelopment Act, patterned after federal legislation from 1995 that was initiated by the U.S. Environmental Protection Agency as an “experimental idea for restoring many environmentally challenged sites throughout the United States, without the threat of legal and financial repercussion commonly associated with ownership of contaminated properties.”⁷³ Brownfield sites are defined in Florida law as a site that is “generally abandoned, idled, or underused industrial and commercial properties where expansion or redevelopment is complicated by actual or perceived environmental contamination.”⁷⁴ A brownfield site may not have any contamination at all, and is often times designated as a brownfield site prior to a formal environmental investigation.

Local governments have the responsibility to officially designate a tract of land as a brownfield site or brownfield area. Designation of a brownfield site or area must occur by way of a resolution adopted by the local government pursuant to s. 376.80, F.S. The Florida Department of Environmental Protection (DEP) assists local governments throughout the process of designating a brownfield site, but DEP does not make the actual designation.

While local governments must designate brownfield sites through resolution, initiating the process does not have to be carried out by the local government. Establishing a brownfield site or area can be initiated by almost anyone: a community, a local governing body, an organization, or an individual can begin the process of establishing a brownfield site. If a person, group, or organization initiates the process, they must present a plan to the local government which will have the option to adopt a resolution designating the area as a brownfield site.⁷⁵ The local government is required to form an advisory commission and hold public meetings to educate local stakeholders and those in the community with an interest in the project. In determining whether to designate an area, the local government has to consider the economic impact, the creation of new jobs, and whether the proposal is consistent with the local comprehensive plan. Once a local government officially designates a brownfield area, public notice is required. This is usually an advertisement in a newspaper or other media source.

Another decision that needs to be made early in the process is whether to designate the land in question as a brownfield site or brownfield area. A brownfield site is a single site and a brownfield area is a contiguous area of brownfield sites. All designations require local government resolution so it is easier in certain circumstances to designate a brownfield area, rather than designate multiple brownfield sites, each of which would require its own resolution.⁷⁶

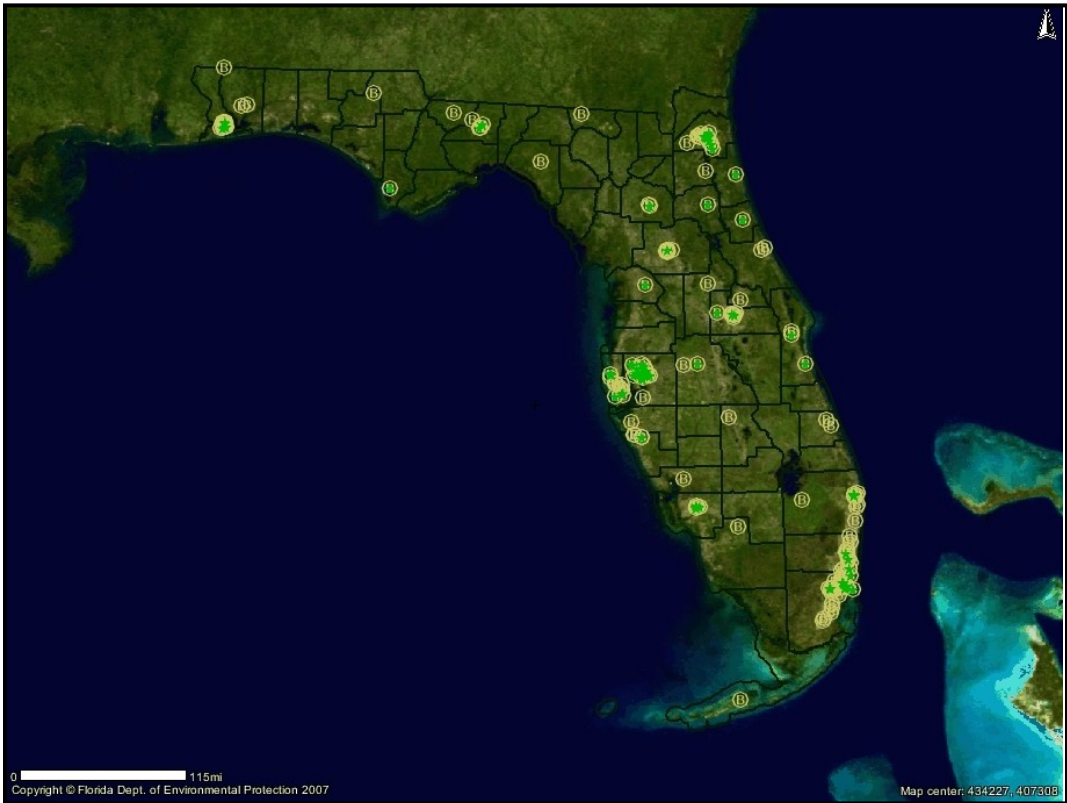
73 Florida Brownfield Association, “Brownfields 101”. website: <http://www.floridabrownfields.org/Resources/Brownfields101.htm>. (June 2007).

74 s. 288.107(1)(b), F.S.

75 Florida Brownfield Association, “Brownfields 101”. website: <http://www.floridabrownfields.org/PDF/Brownfields101.pdf>. (June 2007).

76 Id.

FIGURE 18 FLORIDA BROWNFIELD SITES



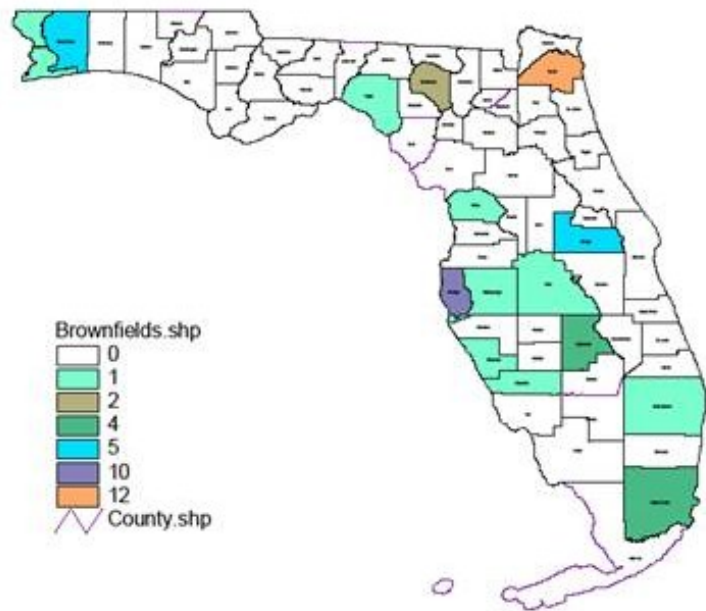
Brownfield sites are marked by a circle with the letter “B” inside and brownfield sites with Brownfield Site Rehabilitation Agreements (BSRA) are marked with a green star. BSRA’s are used when actual clean-up is necessary and includes a regulatory framework for cleanup, expedited review, and liability protection.

The Brownfield Redevelopment Bonus Refund provides a tax refund to eligible businesses of up to \$2,500 (based on taxes paid by the business) for each new job created in a brownfield area. To qualify, a business must demonstrate it will diversify and improve the area economy, create at least 10 full-time jobs, and provide at least \$2 million in capital investment. The state pays 80 percent of the award and the local government must pay the remaining 20 percent of the incentive. Other brownfield incentives include low-interest loans, expedited permitting, and tax credits.

Brownfield Redevelopment Bonus Refund Data	
\$17,827,000 in total awards	
7,194 jobs created	
\$905,775,670 in total capital investment	
\$629,265 in total payments	
26 project in an enterprise zone	
6 projects in rural areas of critical economic concern	
All projects in brownfields	
7 projects in rural counties	

The Brownfield Redevelopment Bonus can be utilized in combination with a QTI award or as a standalone program. Brownfield standalone projects are not required to qualify for QTI awards. Often, these businesses are not targeted industries. All but four of the projects were retail businesses, warehouse/storage centers, or distribution centers. Two projects did not have an industry-type listed in the OTTED database and two projects were regional or corporate headquarters that did not apply or did not qualify for the QTI award.

FIGURE 19 DISTRIBUTION OF BROWNFIELD PROJECTS



The committee's analysis showed a total of 17 projects that received standalone brownfield bonuses (\$6.5 million in committed awards) with \$110,931 in payments since to only two projects since the program's inception. Standalone brownfield projects created 2,668 jobs with an average wage of \$22,752, and induced \$405.6 million in capital investment. The ten-year payback ratio is estimated at \$21 for every \$1 of state investment.

Brownfield Redevelopment Bonus projects coupled with a QTI award received \$11.2 million in awards with \$518,334 in total payments for seven projects (out of the 33 projects reviewed). These projects created 4,526 jobs with an average wage of \$42,929, and induced more than \$500 million in capital investment. Eighteen projects were located in enterprise zones, 6 projects in critical rural areas, and an additional project in a rural county. The ten-year payback ratio is estimated at \$15 for every \$1 of state investment.

When all brownfield projects are combined, the ten-year payback ratio of the program is \$17 for every \$1 of state investment. The average wage for jobs created or retained is \$36,069. Rural counties such as Highlands, Taylor, and Suwannee have benefited from projects in brownfields. For example, Highlands and Suwannee counties acquired projects in rural areas of critical economic concern. Job creation is vital in such areas; however, jobs created in these areas through this program are often retail jobs that pay a low wage.

As a whole, businesses qualified under the Brownfield Bonus program failed to meet both the average industry wage and the average private sector wage. The 50 businesses in this group received a guaranteed average wage 20 percent below the industry average wage and 2 percent below the average private sector county wage.

There is a significant difference in average wage between the businesses that qualified solely as a Brownfield applicant and those that were also approved for the Qualified Targeted Industry program. The 33 businesses that expect to also receive a QTI award clearly show the attraction of industries that pay higher wages. The businesses qualified for standalone Brownfield program paid an average wage far below the statewide average private sector wage of \$41,057. These awards have largely attracted low-wage retail jobs. Only one of the 17 businesses qualified under this program paid near the industry average and above the average private sector

county wage. In fact, six of these businesses paid wages below the 2006 federal poverty line for a family of four of \$20,000.

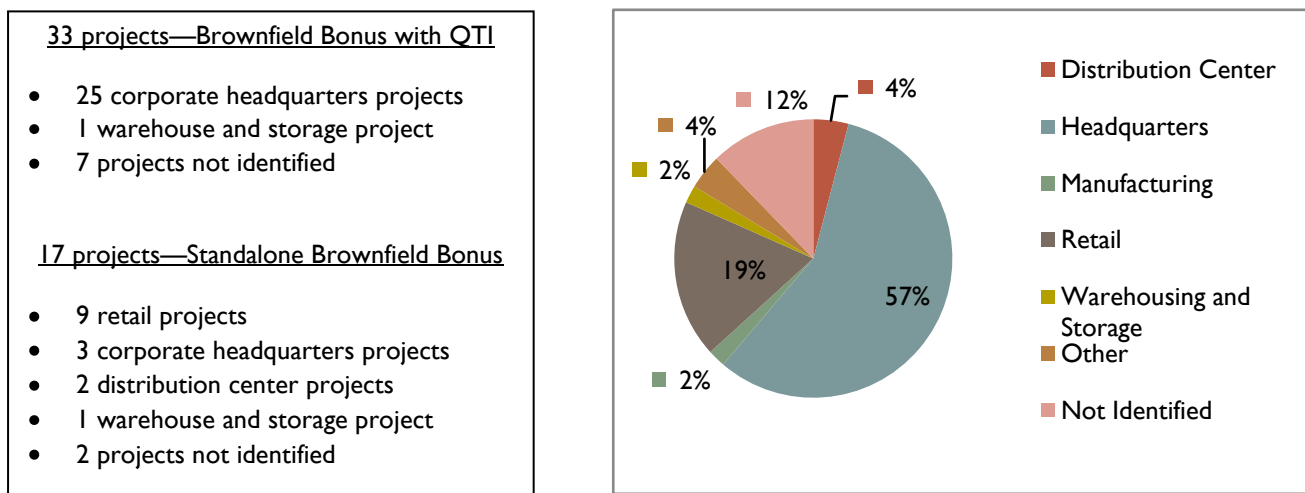
	Project Adjusted Average Wage	Average Statewide Industry Wage	Industry - Percent Difference	Average Private Sector County Wage	County - Percent Difference
Brownfields – Standalones	\$22,752	\$26,723	-15%	\$38,041	-40%
Brownfields – with QTI	\$42,929	\$58,503	-27%	\$36,150	19%
Total Brownfields	\$36,069	\$44,883	-20%	\$36,793	-2%

Out of the total 50 brownfield projects reviewed:

- 28 projects paid less than the average industry wage and 7 paid more than the average industry wage;⁷⁷ and
- 29 projects paid less than the average county private sector wage and 24 paid more than the average county private sector wage.

The attraction of corporate headquarters comprises a majority of brownfield projects; however, standalone brownfield projects most often attract retail businesses.

FIGURE 20 BROWNFIELD INDUSTRY BREAKDOWN



⁷⁷ A total of 15 projects did not have an industry code recorded in the database that could be used to make an industry wage comparison.

HIGH IMPACT PERFORMANCE INCENTIVE PROGRAM (HIPI)

The High Impact Performance Incentive (HIPI) was created in 1997 and is designed to attract “high impact” sectors of the economy to Florida such as life sciences, financial services, and manufacturing industries such as transportation equipment, aviation and aerospace, automotive, and semiconductors.⁷⁸ In 2006, the Florida Legislature modified the HIPI statute to allow for the establishment of a corporate headquarters to qualify for a HIPI award. The incentive is a grant to qualified businesses that are looking to move to Florida or expand if they currently reside in Florida. EFI makes recommendations for HIPI grants and OTTED gives final approval for the project. A qualified business is eligible to receive 50 percent of the grant up-front and the remaining 50 percent when the business satisfies the job and capital investment requirements.⁷⁹

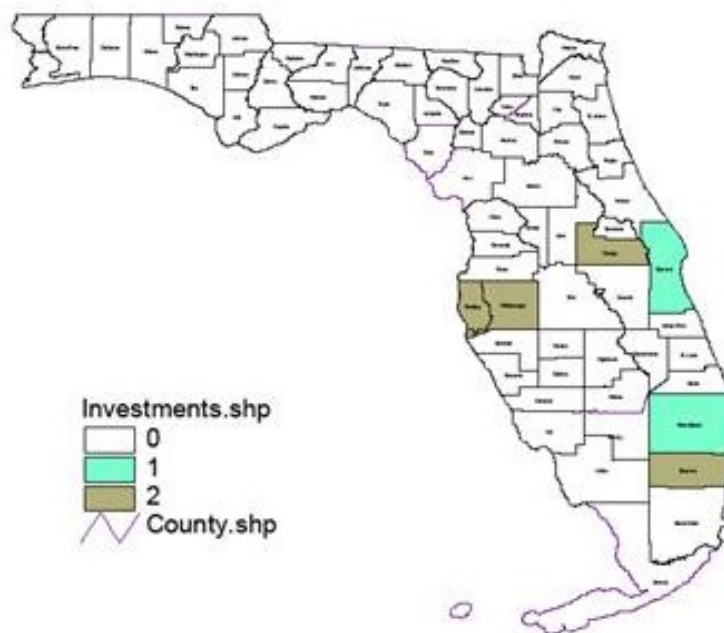
HIPI Data
\$32,900,000 in total awards
2,230 jobs created or retained
\$1,826,100,000 in total capital investment
\$17,875,000 in total payments
0 project in an enterprise zone
0 projects in rural areas of critical economic concern
0 projects in brownfields
0 projects in rural counties

Businesses that receive a HIPI award must create at least 100 new full-time jobs and make a cumulative investment in Florida of at least \$100 million over a three-year period. If the business is a research and development facility, the threshold falls to 75 new full-time jobs and a cumulative investment of at least \$75 million in Florida over a three-year period. To date, there have been 11 HIPI applications resulting in six approvals and agreements.

Given the aggressive job and investment requirements, it is not surprising that there have not been any HIPI projects to locate in an enterprise zone, a critical rural area, a brownfield, or rural county. Three of the projects have been awarded to businesses in Orange County, two are located in Brevard County, and one is located in Palm Beach County. This small number of projects prevents the program from having a larger effect statewide. However, HIPI funds are designed to be used in rare cases where a major, highly-competitive project is at stake so the overall number of projects will always lag behind other incentive programs.

Three of the six total HIPI projects are active

FIGURE 21 DISTRIBUTION OF HIPI PROJECTS



⁷⁸ Enterprise Florida, Inc. website: <http://www.eflorida.com/ContentSubpage.aspx?id=472>. (June 2007).

⁷⁹ s. 288.108(3)(c)(d), F.S.

or completed and three are inactive. A project is considered inactive by OTTED when it received some funding, but the contract was negated before all payments had been made because the business did not meet the program requirements or performance conditions. Three projects were in the manufacturing industry (1 project complete, 1 project active, 1 project inactive), two projects were for research and development (1 project active, 1 project inactive), and one project's industry was not identified (inactive).

Florida law outlines the following guidelines for awards:

- (1) A qualified business making a cumulative investment of \$100 million and creating 100 jobs may be eligible for a grant of \$1 million to \$2 million;
- (2) A qualified business making a cumulative investment of \$800 million and creating 800 jobs may be eligible for a grant of \$10 million to \$12 million;
- (3) A qualified business, engaged in research and development, making a cumulative investment of \$75 million and creating 75 jobs may be eligible for a grant of \$2 million to \$3 million; and
- (4) A qualified business, engaged in research and development, making a cumulative investment of \$150 million and creating 150 jobs may be eligible for a grant of \$3.5 million to \$4.5 million.⁸⁰

Funding for the HIPI program varies each year based on need and is funded by General Revenue. For fiscal year 2007-08, the program received a \$3.0 million appropriation.

The committee's analysis showed that jobs created through HIPI projects guaranteed an average wage of \$65,123, or 65 percent more than the average private sector county wage. All six projects paid wages greater than the average county private sector wage. In addition, this program paid wages greater than any of the other incentive programs. The ten-year payback ratio for HIPI projects is \$11 for every \$1 of state investment.

Recent Funding Levels

- FY 2003-04, \$1 million
- FY 2004-05, \$4.4 million
- FY 2005-06, \$0
- FY 2006-07, \$1.6 million
- FY 2007-08, \$3.0 million

The committee had to omit an industry wage comparison for this program because the Economic Development Information System does not contain NAICS codes for any of these projects.

	Project Adjusted Average Wage	Average Statewide Industry Wage	Industry - Percent Difference	Average Private Sector County Wage	County - Percent Difference
HIPI Projects	\$65,123	*	*	\$39,536	65%

⁸⁰ s. 288.108(3)(b), F.S.

QUICK ACTION CLOSING FUND (QAC)

The Quick Action Closing Fund (QAC) was created in 1999 to close deals that would greatly benefit Florida. Often, multiple states are in competition to attract projects that create high-wage jobs and the Quick Action Closing Fund helps Florida make a strong proposal in the negotiating process. In most circumstances, Quick Action Closing Fund projects begin at the local level. Local economic developers partner with EFI to recruit certain businesses that offer high-wage jobs. EFI then makes a

recommendation to OTTED, which is a part of the Executive Office of the Governor. By statute, the Governor must consult with the President of the Senate and the Speaker of the House of Representatives for project approval. In addition, in 2006, the program was modified to require Legislative Budget Commission approval for each project.

In 2006, the program was also modified to provide specific business criteria, these include:

- Be in a qualified targeted industry;
- Have a payback ratio of at least 5 to 1;
- Serve as an inducement to the project's location or expansion in the state;
- Pay an average annual wage of at least 125 percent of the areawide or statewide private sector average wage; and
- Be supported by the local community in which the project is to be located.⁸¹

These criteria can be waived by EFI, in consultation with OTTED, if during extraordinary circumstances a project would greatly benefit the local or regional economy.

Funding for QAC expanded dramatically in recent years from \$10 million to \$45 million in General Revenue, a level that has continued to be supported by the Florida Legislature. Typically, a QAC award will be a large, one-time grant to a business that is highly coveted by the state and is often part of a larger incentive package. The return-on-investment is \$23 for every \$1 of state investment over a 10-year period.

Twenty-six businesses have been approved to receive payments under this program. Although these projects did not guarantee wages comparable with

Closing Fund Data
\$53,586,700 in total awards
9,028 jobs created or retained
\$1,458,863,000 in total capital investment
\$34,144,500 in total payments
2 project in an enterprise zone
0 projects in rural areas of critical economic concern
0 projects in brownfields
2 projects in rural counties

Recent Funding Levels

- FY 2004-05, \$12 million
- FY 2005-06, \$10 million
- FY 2006-07, \$45 million
- FY 2007-08, \$45 million

⁸¹ s. 288.1008(2), F.S

the average wage within their own industry, the guaranteed wages far exceed the average private sector county wage and the average statewide private sector wage.

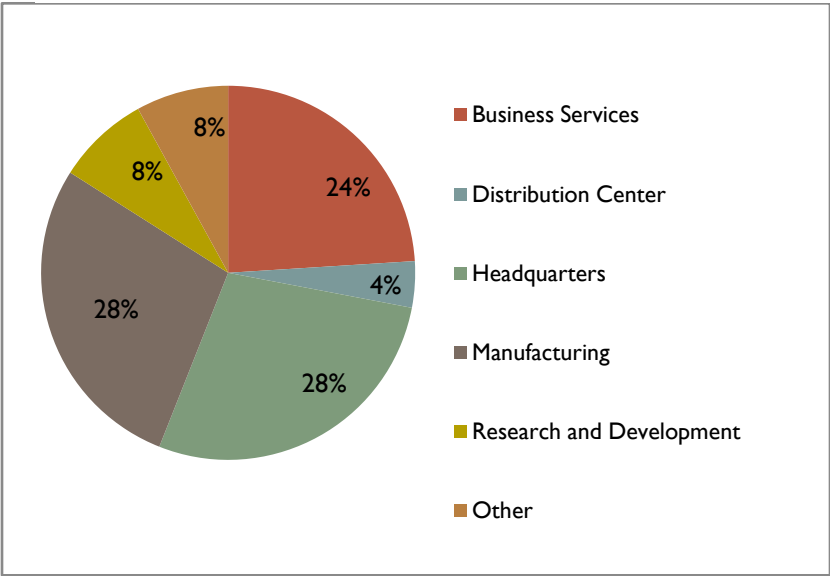
	Project Adjusted Average Wage	Average Statewide Industry Wage	Industry - Percent Difference	Average Private Sector County Wage	County - Percent Difference
QAC Projects	\$58,813	\$66,442	-11%	\$37,276	58%

Out of the 26 QAC projects:

- 12 projects paid less than the average industry wage and 4 paid more than the average industry wage;⁸²
- 2 projects paid less than the average county private sector wage and 24 paid more than the average county private sector wage.

Manufacturing, business services, and corporate headquarters comprise most of the industry types that have received closing fund assistance.

FIGURE 22 QUICK ACTION CLOSING FUND INDUSTRY BREAKDOWN



82 A total of 10 projects did not have an industry code recorded in the database that could be used to make an industry wage comparison.

INNOVATION INCENTIVE PROGRAM

The Innovation Incentive Program was created by the 2006 Legislature for the purpose of making Florida an attractive place for extraordinary economic research and development projects and large scale business

Innovation Incentive Data

\$200,000,000 in total awards

692 jobs created

\$254.7 million in projected capital investment

projects. The incentive is usually a large, performance-based grant to a business that will serve as a catalyst for attracting other businesses or creating spin-off businesses from research activities. In 2006, this fund was used by the Florida Legislature to attract Torrey Pines, SRI, and the Burnham Institute. These projects created or will create 692 jobs with an average wage of \$61,723. In addition, these three businesses are expected to generate a total of \$476.6 million in state revenues over a twenty-year period.

Florida law details the program's requirements as follows:

A research and development project must:

- Serve as a catalyst for an emerging or evolving technology cluster.
- Demonstrate a plan for significant higher education collaboration.
- Provide the state no less than a 1:1 return-on-investment within a 20-year period.
- Be provided with a one-to-one match from the local community. The match requirement may be reduced or waived in rural areas of critical economic concern or reduced in rural areas, brownfield areas, and enterprise zones.

Recent Funding Levels

- FY 2006-07, \$200 million
- FY 2007-08, \$250 million

An innovation business project in this state, other than a research and development project, must:

- Result in the creation of at least 1,000 direct, new jobs at the business; or result in the creation of at least 500 direct, new jobs if the project is located in a rural area, a brownfield area, or an enterprise zone.
- Have an activity or product that is within an industry that is designated as a target industry business.
- Have a cumulative investment of at least \$500 million within a 5-year period; or have a cumulative investment that exceeds \$250 million within a 10-year period if the project is located in a rural area, brownfield area, or an enterprise zone.
- Be provided with a one-to-one match from the local community. The match requirement may be reduced or waived in rural areas of critical economic concern or reduced in rural areas, brownfield areas, and enterprise zones.⁸³

83 s. 288.1089(4)(b,c), F.S.

CAPITAL INVESTMENT TAX CREDIT (CITC)

The Capital Investment Tax Credit (CITC) is used to attract and grow capital-intensive industries in Florida by providing a tax credit for up to 20 years. Eligible projects are those that create a minimum of 100 new jobs and are in one of the high-impact sectors identified by Enterprise Florida, Inc. High impact sectors include industries such as financial services, information technology, silicon technology, and transportation equipment manufacturing. Eligible CITC projects must also create a minimum of

\$25 million in capital costs through expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations. The annual credit is calculated by comparing the level of investment to the project's Florida corporate income tax liability for the 20 years following commencement of operations.⁸⁴

The tax credit can be used to offset the corporate income tax or premium tax liability generated, up to 100 percent of the eligible capital costs of the project. If a business does not have a sufficient tax liability to consume the entire credit, the unused balanced may be carried forward.⁸⁵

Florida statutes provide that, tax credits awarded through the CITC program shall not exceed specified percentages of the annual corporate income tax liability or the premium tax liability generated by a project:

1. A project that produces a capital investment of at least \$100 million may be eligible for tax credits of up to one hundred percent of corporate income or premium tax liabilities.
2. A project that produces a capital investment of at least \$50 million but less than \$100 million may be eligible for tax credits of up to seventy-five percent of corporate income or premium tax liabilities.
3. A project that produces a capital investment of at least \$25 million but less than \$50 million may be eligible for tax credits of up to fifty percent of corporate income or premium tax liabilities.⁸⁶

Capital Investment Tax Credit Data

\$13.2 million in tax credits awarded

5,357 jobs created or retained

\$1,797,621,000 in total capital investment

Unable to calculate total payments—award is a tax credit

0 project in an enterprise zone

0 projects in rural areas of critical economic concern

0 projects in brownfields

0 projects in rural counties

Total Capital Investment Tax Credits Claimed

2001, \$2.1 million

2004, \$3.7 million

2005, \$3.7 million

2006, \$3.7 million

No credits were claimed in
2002 and 2003.

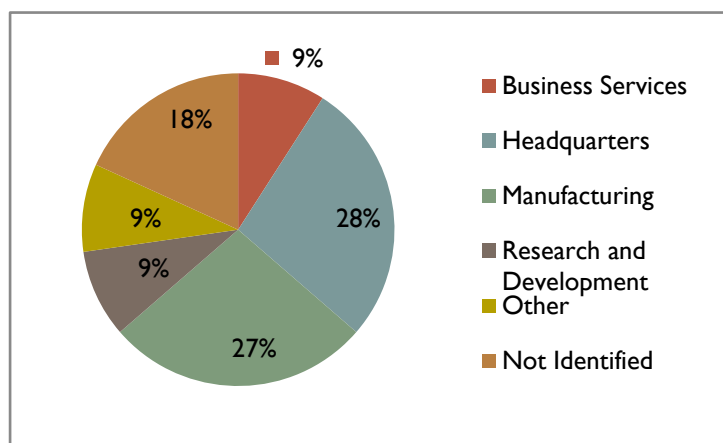
⁸⁴ Information contained in this paragraph can be found: Enterprise Florida, Inc. website: <http://www.eflorida.com/ContentSubpage.aspx?id=472>. (June 2007).

⁸⁵ s. 220.191(3)(b), F.S.

⁸⁶ s. 220.191(2), F.S.

Jobs created or retained through the use of CITC pay an average wage of \$54,277. The committee was unable to make a comparison with industry wages because only two of the eleven projects in the database had industry codes listed in the database. In addition, EFL does not calculate a return-on-investment for these projects because it is impossible to determine the amount of tax credit that will be claimed.

FIGURE 23 CITC PROJECTS INDUSTRY BREAKDOWN



QUICK RESPONSE TRAINING INCENTIVES (QRT)

In 1993, the Florida Legislature created the Quick Response Training Program (QRT) for the purpose of providing grants to train employees for existing, new or expanding businesses in the state.⁸⁷ Increasing the number of skilled workers in Florida provides a benefit to the economy and businesses consistently cite a skilled workforce as one of the top factors in site selection. The *Area Development* study showed that the availability of a skilled workforce was the 8th most important factor in site selection of growing companies,⁸⁸ and survey respondents cited workforce as the second most critical need.

In 2000, administration of the program moved from Enterprise Florida, Inc. to Workforce Florida, Inc. under the Workforce Innovation Act of 2000. Workforce Florida, Inc. (WFI) has trained over 100,000 employees for over 300 businesses since taking over the operation of the program.⁸⁹ A QRT award requires the business to provide at least part of the total cost of training related expenses.⁹⁰ Training expenses eligible for a QRT grant include curriculum development, textbooks and manuals, and other supplies.

Training may not exceed 12 months and may be provided by a community college or similar institution so long as the training is not a part of the standard curriculum offered by the school. Other entities eligible to provide training for a QRT project include school districts, regional workforce boards, or the business employing the participant, including on-the-job training.

The Florida Legislature funds QRT at approximately \$5 million a year. Since 2000, WFI has received 272 applications and granted 253 approvals. Over \$100 million in funding has been requested with more than \$57 million awarded. Over 64,000 workers have been trained under the QRT program. Businesses have produced more than \$829 million in matching funds. In the last five years, \$9.6 million has been awarded for training in rural areas, brownfields, and enterprise zones. These funds have supported 7,609 new jobs or trainees. An analysis of pre- and post-training wages demonstrates that individuals that were employed after training

⁸⁷ s. 288.047, F.S. Also note that funds can not be used to help a business locate from one part of the state to another part of the state.

⁸⁸ Gambale, Geraldine. "21st Annual Corporate Survey." *Area Development*. (2006).

⁸⁹ Workforce Florida, Inc. website: <http://www.workforceflorida.com/employers/qrt.htm>. (June 2007).

⁹⁰ Enterprise Florida, Inc. website: <http://www.eflora.com/ContentSubpage.aspx?id=472>. (June 2007).

increased their wages by 147 percent.⁹¹ In 2006, the state invested approximately \$1,000 per trainee. Since 2000, funding for the program has remained constant while the request for funding has increased by 38 percent.

<i>Fiscal Year</i>	<i>Average Wage</i>	<i>Jobs Created / Workers Trained</i>	<i>Award Granted</i>	<i>Employer Match</i>
2002-2003	\$17.57	10,296	\$7,683,443	\$121,065,514
2003-2004	\$19.96	11,388	\$9,612,221	\$137,123,664
2004-2005	\$18.59	7,281	\$7,970,541	\$66,068,413
2005-2006	\$19.98	6,928	\$7,083,202	\$85,491,441
2006-2007	\$21.83	8,261	\$8,271,497	\$175,914,576
TOTAL	\$19.59	44,154	\$40,620,904	\$585,663,608

INCUMBENT WORKER TRAINING PROGRAM (IWT)

Retaining jobs in certain sectors of the economy is very important to overall economic development in Florida. Growing companies value a skilled workforce. Established in 1999, the Incumbent Worker Training Program (IWT), administered by WFI, offers grants to businesses for the purpose of retaining jobs and providing specialized training for certain employees so that Florida-based businesses can remain competitive in a global market.⁹² An IWT grant requires at least a one-to-one match from the business receiving the grant and may be used to offset the costs of training employees, such as instructor's salary or fees, tuition, curriculum development, and textbooks or manuals.⁹³ Certain requirements are defined in Florida Statute and must be met prior to a business to becoming eligible for an IWT grant. This grant is one of the few economic development programs in Florida that assists existing businesses. Florida businesses applying for an IWT grant must:

Recent Funding Levels

FY 2002-03, \$1.8 million
FY 2003-04, \$2.0 million
FY 2004-05, \$1.6 million
FY 2005-06, \$1.9 million
FY 2006-07, \$3.7 million
FY 2007-08, \$2.0 million

- Have been in operation in Florida for at least one year prior to application date;
- Have at least one full-time employee;
- Demonstrate financial viability; and
- Be current on all state tax obligations.

Priority is given to:

- Businesses with 25 or fewer employees;
- Businesses located in a distressed Rural Area, Urban Inner-City Area or Enterprise Zone;

⁹¹ Data provided by Workforce Florida, Inc. for trainees in 2004-05. Twenty percent of individuals that were enrolled in training were not employed at the time post-training data was collected.

⁹² Workforce Florida, Inc. website: <http://www.workforceflorida.com/employers/iwt.htm>. (June 2007).

⁹³ s. 445.003(3)(d), F.S.

- Businesses in qualified targeted industries;
- Businesses whose grant proposals represent a significant layoff avoidance strategy; and
- Businesses whose grant proposals represent a significant upgrade in employee skills.⁹⁴

Since 2000, WFI has received 775 applications and granted 593 approvals. WFI has awarded \$24.3 million to train more than 84,000 employees. The IWT program has induced \$188.8 million in matching funds from qualified businesses. Over 65,000 jobs have been retained through the IWT program with an average annual wage of \$47,008.⁹⁵ An analysis of pre- and post-training wages demonstrates that individuals that were employed after training increased their wages by 44 percent, from \$14,880 to \$36,680 annually.⁹⁶ In 2006, the state invested approximately \$310 per trainee. Since 2000, request of funds for training has increased by 44 percent.

<i>Fiscal Year</i>	<i>Jobs Created / Workers Trained</i>	<i>Award Granted</i>	<i>Employer Match</i>	<i>Awards in Rural Areas / Brownfields</i>	<i>Trainees in Rural Areas / Brownfields</i>
2002-2003	10,782	\$2,633,661	\$11,121,664	\$13,500	20
2003-2004	14,713	\$2,692,379	\$23,050,797	\$161,348	1,443
2004-2005	15,487	\$3,838,432	\$46,355,950	\$640,447	2,301
2005-2006	11,725	\$4,154,154	\$26,616,161	\$456,013	1,106
2006-2007	18,787	\$5,829,607	\$44,527,968	\$992,497	3,100
TOTAL	71,494	\$19,148,233	\$151,672,540	\$2,263,805	7,970

⁹⁴ s. 445.003(3)(b), F.S.

⁹⁵ Workforce Florida, Inc. Data reflects trainee wages from 2004-05.

⁹⁶ Data provided by Workforce Florida, Inc. for trainees in 2004-05. Ten percent of individuals that were enrolled in training were not employed at the time post-training data was collected.

FIGURE 24 HISTORICAL FUNDING OF INCENTIVE PROGRAMS

Program	Statute	Recipient	Incentive	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Funding Source
Rural Community Development Grants and Loans	288.018; 28.065	Applicable local governmental bodies	Grants provide funding to supplement local resources to provide staffing and other costs associated with economic development activities in rural communities. Loans provide cash assistance for projects that maintain or develop their economic base and increase employment opportunities.	\$ 1,600,000	\$ -	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	General Revenue and Trust (Trust dollars for Loans are revolving)
Rural Infrastructure Fund	288.0655	Applicable local governmental bodies	Grants available to local governments in need of financial assistance to complete infrastructure projects for specific job creating opportunities.	\$ 1,500,000	\$ 500,000	\$ 2,150,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	General Revenue
Economic Development Transportation Fund (Road Fund)	288.063	Applicable local governmental bodies	Costs associated with the construction of new, or improvement to existing, transportation facilities.	\$ 20,100,000	\$ 10,000,000	\$ 16,750,000	\$ 4,000,000	\$ 14,000,000	\$ 13,350,000	Trust Fund (Transfers from the State Transportation TF)
Qualified Target Industry Tax Refund Program (QTI)	288.106	Qualified businesses located in a target industry	\$3,000 for each new job, \$6,000 for each new job if the business is in a rural county or enterprise zone. An additional \$1,000-\$2,000 per job may be awarded to QTI businesses that create high(er) wage jobs.	\$ 30,000,000	\$ 27,000,000	\$ 22,031,250	\$ 22,968,750	\$ 24,687,500	\$ 14,687,500	General Revenue and Trust Fund (Local Match 20%)
Qualified Defense Contractor Tax Refund Program (QDC)	288.1045	Qualified businesses that: 1) consolidate an existing DoD contract or agree to a new DoD contract, 2) convert defense production jobs to non-defense production job or 3) Reuse an existing defense-related facility.	\$5,000 for each new job created.	\$ 412,500	\$ 412,500	\$ 412,500	\$ 412,500	\$ 118,750	\$ 118,750	General Revenue and Trust Fund (Local Match 20%)
Brownfield Redevelopment Bonus Refund Program	288.107	A QTI business or eligible business that locates on a brownfield site, creates at least 10 new jobs, and invests at least \$2m. "Eligible business" was amended in the 2002 session to include eligible non-QTI businesses	\$2500 for each new job created	Funded through QTI	Funded through QTI	Funded through QTI	\$ 1,031,250	\$ 1,187,500	\$ 1,187,500	General Revenue and Trust Fund (Local Match 20%)
High Impact Performance Incentive Grant (HIPI)	288.108	Qualified businesses in high-impact sectors that make capital investments and create jobs. (\$100m and 100 jobs for a business, \$75m and 75 jobs for an R&D facility.)	OTTD and EFI negotiate with qualified businesses to determine the grant amount.	\$ 6,375,000	\$ 1,000,000	\$ 4,375,000	\$ -	\$ 1,575,000	\$ 2,975,000	General Revenue
Quick Action Closing Fund	288.1088	Businesses located in high-impact sectors and distressed urban and rural communities	These funds are supplemental to other incentives. OTTD recommends and the Governor approves use of these funds.	\$ -	\$ -	\$ 12,000,000	\$ 10,000,000	\$ 45,000,000	\$ 45,000,000	General Revenue
Innovation Incentive Program	288.1088	Research and Development Entities or Innovation Business locating within this state	These funds are supplemental to other incentives. OTTD recommends and the Governor approves use of these funds.	N/A	N/A	N/A	N/A	\$ 200,000,000	\$ 250,000,000	General Revenue
Quick Response Training Program (QRT)	288.047	Community colleges, school districts, regional workforce boards, and businesses that provide training that promote economic development.	Reimbursements for expenses.	\$ 6,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	Trust Fund
Incumbent Worker Training Program	445.003	Businesses that have been located in Florida for at least one year and provide training for employees.	Reimbursements for expenses associated with training program.	\$ 1,842,040	\$ 1,959,196	\$ 1,642,448	\$ 1,928,615	\$ 3,652,385	\$ 2,000,000	General Revenue and Federal Title I Funds

PART III RURAL FLORIDA—ECONOMY AND GROWTH

A “rural community” is defined by s. 288.0656, Florida Statutes, as: (1) a county with a population of 75,000 or less; (2) a county with a population of 100,000 or less that is contiguous to a county with a population of 75,000 or less; (3) a municipality within a county with a population of 75,000 or less or a county with a population of 100,000 or less that is contiguous to a county with a population of 75,000 or less; or (4) a federal enterprise community or an incorporated rural city with a population of 25,000 or less and an employment base focused on traditional agricultural or resource-based industries, located in a county not defined as rural, which has at least three or more of the economic distress factors identified by statute and verified by the Office of Tourism, Trade, and Economic Development. “Economic distress” factors are those conditions affecting the fiscal and economic viability of a rural community, including factors such as low per capita income, high unemployment, high underemployment, low weekly earned wages compared to the state average, low housing values compared to the state average, high percentages of the population receiving public assistance, high poverty levels compared to the state average, and a lack of year-round stable employment opportunities.⁹⁷

Thirty-two Florida counties are presently categorized as “rural” pursuant to the statutory definition outlined above. Twenty-eight of these rural counties have been categorized into one of three Rural Areas of Critical Economic Concern (North Central, Northwest, and South Central). The Rural Areas of Critical Economic Concern (RACECs) are defined by OTTED based on measures of economic interdependence among the rural counties in each of the three geographic regions.

The status of a county as rural and its inclusion in a RACEC is not static. Sumter County, which had previously fit the statutory definition of a rural county, exceeded the population threshold of 75,000 residents in 2006 causing the county to lose its status as a rural county. Based on population growth projections, it is likely that Highlands and Flagler counties will soon exceed the population requirements set forth by statute and lose their designation as a rural county and subsequently their ability to form part of a RACEC.

Four counties (Nassau, Flagler, Wakulla and Walton) are statutorily defined as rural counties, but have not been integrated into a particular RACEC. The determination not to include these counties in a RACEC was made by OTTED based on a lack of economic interdependence between the regionally minded RACECs and the individual county. In each case, these counties were determined to share a significant relationship with adjoining non-rural counties and did not share the same characteristics as the counties that composed the adjoining RACEC.

In addition to rural counties, five small municipalities that are within non-rural counties have been incorporated into the RACECs: Belle Glade, Freeport, Immokalee, Pahokee, and South Bay.

⁹⁷ s.288.0656, F.S.

FIGURE 25 FLORIDA'S RURAL COUNTIES, 2007

NORTHWEST		NORTH CENTRAL		SOUTH CENTRAL	
County	2006 Population ⁹⁸	County	2006 Population	County	2006 Population
Calhoun	13,410	Baker	25,203	DeSoto	35,315
Franklin	10,264	Bradford	28,384	Glades	11,230
Gadsden	46,658	Columbia	67,007	Hardee	28,621
Gulf	14,043	Dixie	14,964	Hendry	40,459
Holmes	19,285	Gilchrist	16,865	Highlands	97,987
Jackson	49,288	Hamilton	14,215	Okeechobee	40,406
Liberty	7,782	Jefferson	14,677	Non-RACEC Rural Counties	
Washington	22,720	Lafayette	8,045		
		Levy	39,076		
		Madison	19,210		
		Putnam	74,083		
		Suwannee	39,494		
		Union	14,482		
		Taylor	19,842		

FIGURE 26 FLORIDA'S RURAL COMMUNITIES, 2007

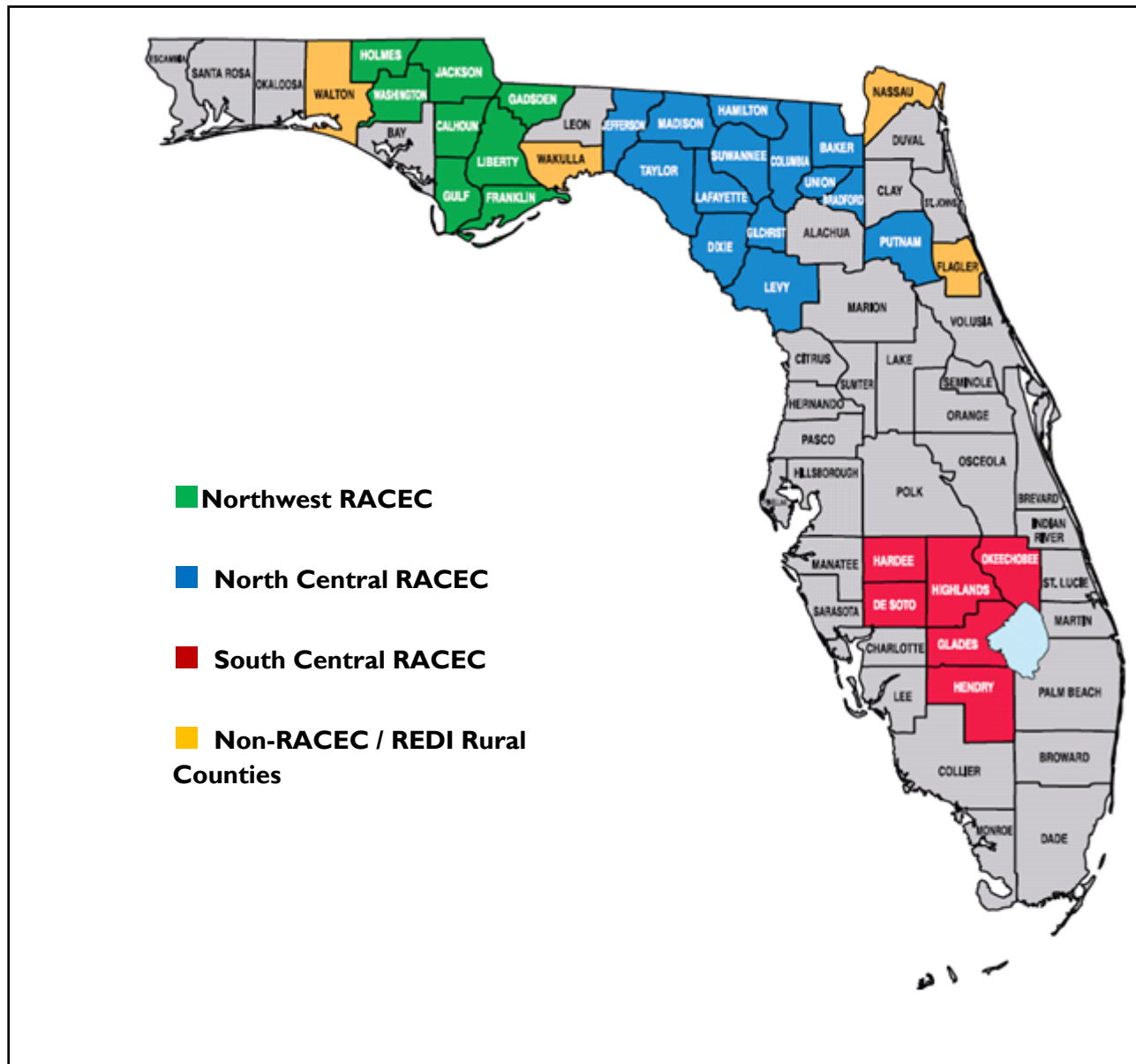
Community (County)	Population ⁹⁹	RACEC
Belle Glade (Palm Beach)	14,906	South Central
Freeport (Walton)	1,190	Northwest
Immokalee (Collier)	19,763	South Central
Pahokee (Palm Beach)	5,985	South Central
South Bay (Palm Beach)	3,859	South Central

Although the communities have each been incorporated into a RACEC, specific community data is not included in this report. Such data is often not available, statistically insignificant, or otherwise not comparable with county-wide data. Unless otherwise noted, aggregate RACEC data reported herein does specifically incorporate any of the rural communities.

98 U.S. Census Bureau (historic and U.S. forecast)

99 U.S. Census Bureau

FIGURE 27 MAP OF FLORIDA'S RURAL COUNTIES & RACECS, 2007
 IMAGE PROVIDED BY ENTERPRISE FLORIDA, INC.



RURAL AREAS OF CRITICAL ECONOMIC CONCERN (RACEC) PROFILES

The demographic composition and economic climate of a rural county have significant impact on future opportunities for economic growth and development. This section provides a snapshot of each one of the RACECs, including: population, growth, educational levels, employment and industry base, unemployment rates, per capita income levels, and cost of living. The data provides a contextual background of the past, present and anticipated economic health of the RACECs.

ABOUT THE RURAL ECONOMIC DEVELOPMENT INITIATIVE

The Rural Economic Development Initiative (REDI) was created to encourage and align critical state agency participation and investment around important rural issues and opportunities.¹⁰⁰ The Rural Economic Development Catalyst Project (catalyst project) is designed to further goals set forth in REDI by gathering economic intelligence and perspectives for Florida's three Rural Areas of Critical Economic Concern (RACEC). The catalyst project is intended to identify, improve and market regional physical sites to facilitate the location of significant job creation opportunities within the RACECs.¹⁰¹

Governmental and economic development entities within each RACEC are required to sign a memorandum of agreement with Enterprise Florida, Inc. and the Governor's Office of Tourism, Trade and Economic Development as a precondition for participating in a catalyst project. All entities must agree to: (1) support a regional approach to economic and target industry research, and participation in the evaluation of such research; (2) share the research process, meeting dates, progress reports, and research content among RACEC partners; (3) participate in catalyst project meetings and discussions; (4) provide mutual encouragement of REDI agency strategic involvement in the catalyst project; (5) collaborate regionally to make clear, shared decisions about the target industries of the future and the best possible impact or long-term economic ripple-effect of such industries; (6) consider one or multiple sites for the catalyst project; (7) participate in a final evaluation and selection (strengths, weaknesses; opportunities and threats analysis) of the best catalyst project site; (8) direct participation in catalyst site based marketing communications; and (9) collaborate on the creation of a framework and methodology for sharing the benefits of a catalytic industry or industries locating in a target site.¹⁰²

In May 2007 each RACEC, in conjunction with EFI and OTTED, engaged in the identification and selection of possible sites for their respective catalyst project. Additionally, each RACEC had identified industries of catalytic opportunity and has begun to gear site selection and marketing activities central to the identified industries. The RACECs are presently engaged in a process of preparing each of the priority sites for market launch. As the priority sites become "shovel ready" (ready to build) the RACEC teams will determine the appropriate scale of investment and regional job training opportunities. The RACEC teams will be responsible for tailoring market specific launches. Due to limited resources available to the catalyst project, resources are focused on each RACECs first priority site. Given the thorough analysis which each RACEC undertook for

¹⁰⁰ s.288.0656, F.S.

¹⁰¹ About REDI. Enterprise Florida, Inc. <http://www.myeflorida.com>

¹⁰² Memorandum of Agreement and Support. Enterprise Florida, Inc.

each short list site, RACEC teams anticipate the development of future opportunities stemming from the due diligence conducted in the prioritization process.

As of January 2008, EFI and OTTTED were in the process of negotiating revenue sharing agreements with the participating local governments. The revenue distribution formula will create a method for sharing potential benefits generated by the catalyst site in the hosting county and other counties that are invested in the site development and implementation. EFI reports cautiousness among local participants who are unsure of potential changes to the local property tax structure. The parties expect to meet during February 2008 in order to finalize and execute revenue sharing agreements.

NORTHWEST RACEC PROFILE

The Northwest RACEC was the first RACEC to be designated in 1999 by Governor Jeb Bush. The designation was reflective of two major events that had imperiled the economic health of the region. First, passage of a constitutional amendment to ban the usage of certain fishing nets had a significant effect on local fisheries. Second, the closure of a paper mill in Port St. Joe resulted in the loss of an estimated 800 direct jobs. The subsequent ripple effect spread through the rest of the RACEC where the mill's suppliers and service providers were negatively impacted causing significant additional job losses. In 2004, OTTED noted progress was aided by the creation of a Regional Economic Development Organization and notable specific Family Dollar Distribution Center in Jackson County were found to be among the most economic

FIGURE 28 MAP OF NORTHWEST RACEC



The Northwest RACEC has identified catalyst project opportunities in both building components and manufacturing, and logistics and distribution. Furthermore, the RACEC team identified twenty possible sites and selected a short list of six sites for further examination. The RACEC team subsequently prioritized the six short list sites, and selected a site in Calhoun County as their first priority site.¹⁰⁴ As of February 2008 the site is not shovel ready, but local economic development officials report strong interest in upgrading existing capacity at the site as growth opportunities become available. The site includes a grass runway which is pending Federal Aviation Administration approval to pave the runway. Local officials also report that many of the short list sites present viable and attractive alternatives for future development.

The Northwest RACEC, with a total population of approximately 193,341, is the least populated RACEC.¹⁰⁵ Counties in the Northwest RACEC are among the smallest of the three RACECs. The population of the largest county, Jackson County, is presently 50,340 and projected to grow to 59,975 by the year 2025. Four counties in the RACEC (Liberty, Holmes, Gulf, and Franklin) are populated by less than 15,000 residents. The population of the RACEC, similar to nationwide trends, is aging. In 1980, approximately 31% of the population was between the ages of 0-17, while only 13% of the population was over age 65. By 2025, demographers estimate that while the under seventeen population will have shrunk to 20% of residents in the RACEC, those over sixty-five years of age will account for an average of 22% of the residents in the RACEC. The aging

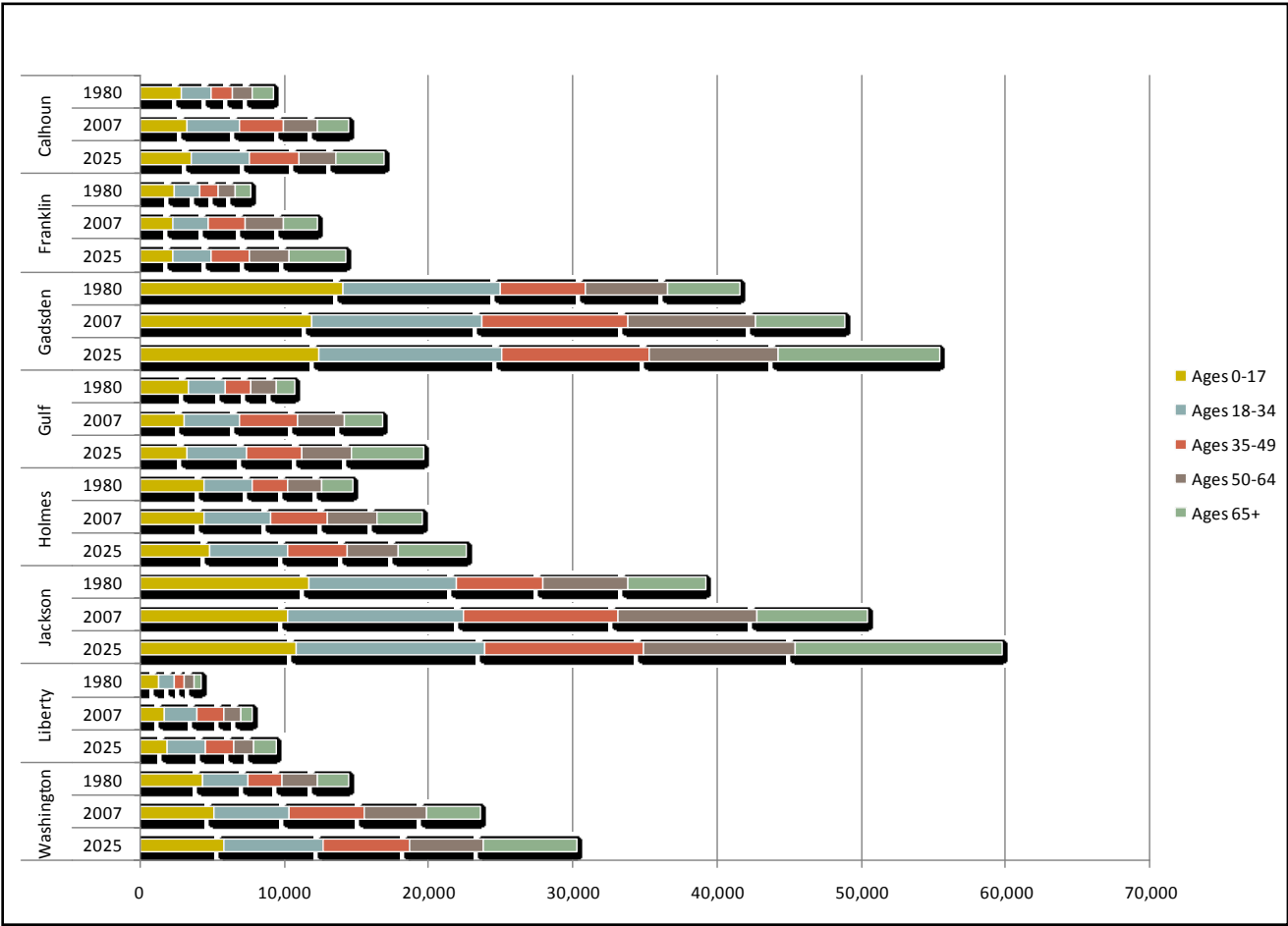
103 Memorandum from OTTED to REDI Participants regarding re-designation of Northwest RACEC. November 14, 2004.

104 Northwest RACEC Catalyst Project Progress Report. May 2007. Enterprise Florida, Inc.

105 U.S. Census Bureau.

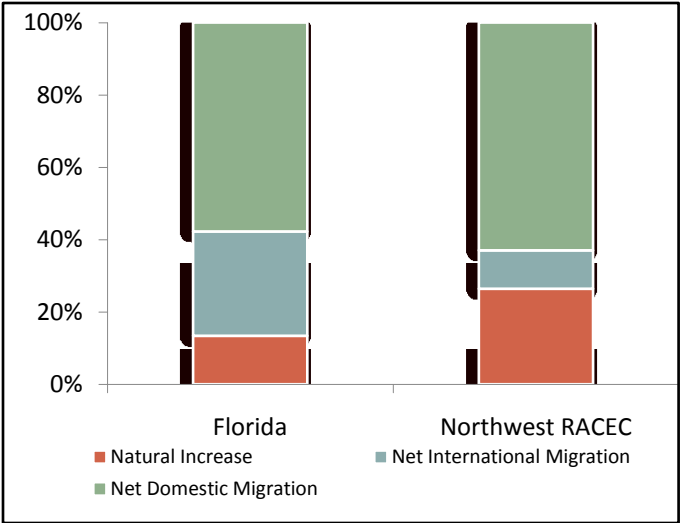
population, in the RACEC as well as state-wide, represents increasing demand for health services and a shrinking labor pool.¹⁰⁶

FIGURE 29 POPULATION BY AGE, NORTHWEST RACEC, 1980, 2007 & 2025



Population growth can be accounted for by (1) natural increase (births minus deaths); (2) net international migration (people moving to the county from abroad); and (3) net domestic migration (people moving to the county from other parts of Florida or from other states). Growth in the Northwest RACEC is driven by net domestic migration (63%) and natural increase (26.4%). International migration accounts for only 10.6% of population growth in the RACEC, considerably less than the state when considered as a whole (28.8%).¹⁰⁷

FIGURE 30 COMPONENTS OF POPULATION GROWTH, NORTHWEST RACEC 2000-2005



106 U.S. Census Bureau.
107 U.S. Census Bureau.

Residents of the Northwest RACEC have achieved formal levels of education at a rate relatively lower than their peers in Florida and the United States. As of 2005 (the most recent census survey year available for statistically comparable information), only 69.3% of residents age 25 and older had achieved a high school degree, compared with 79.9% of Floridians and 80.4% of the United States. The RACEC has experienced increased educational achievement, however, in the period between 1990 and 2000. The percentage of the population with a high school degree grew by 15% from 60.3% in 1990 to 69.9% in 2000. The share of the population with at least a Bachelor's degree also grew over the same time period from an average of 9.9% to 11.1% in 2000.¹⁰⁸

FIGURE 32 SHARE OF POPULATION WITH AT LEAST A HIGH SCHOOL DEGREE, NORTHWEST RACEC 1990 & 2000

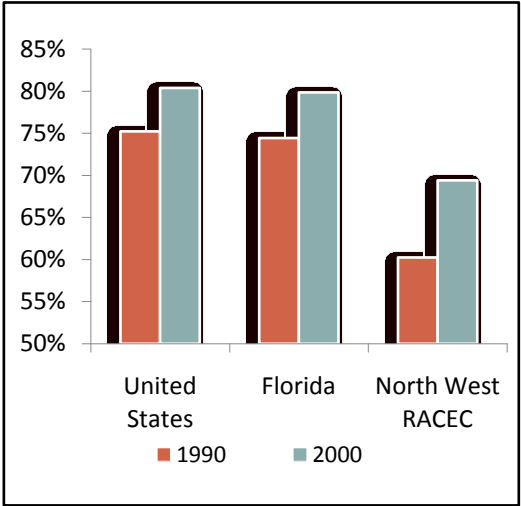
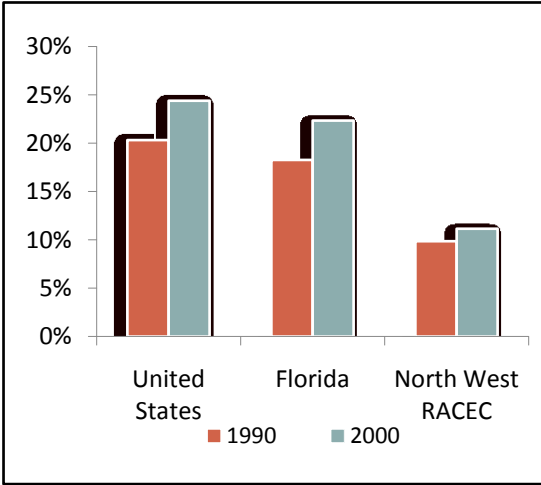


FIGURE 31 SHARE OF POPULATION WITH AT LEAST A BACHELOR'S DEGREE, NORTHWEST RACEC 1990 & 2000

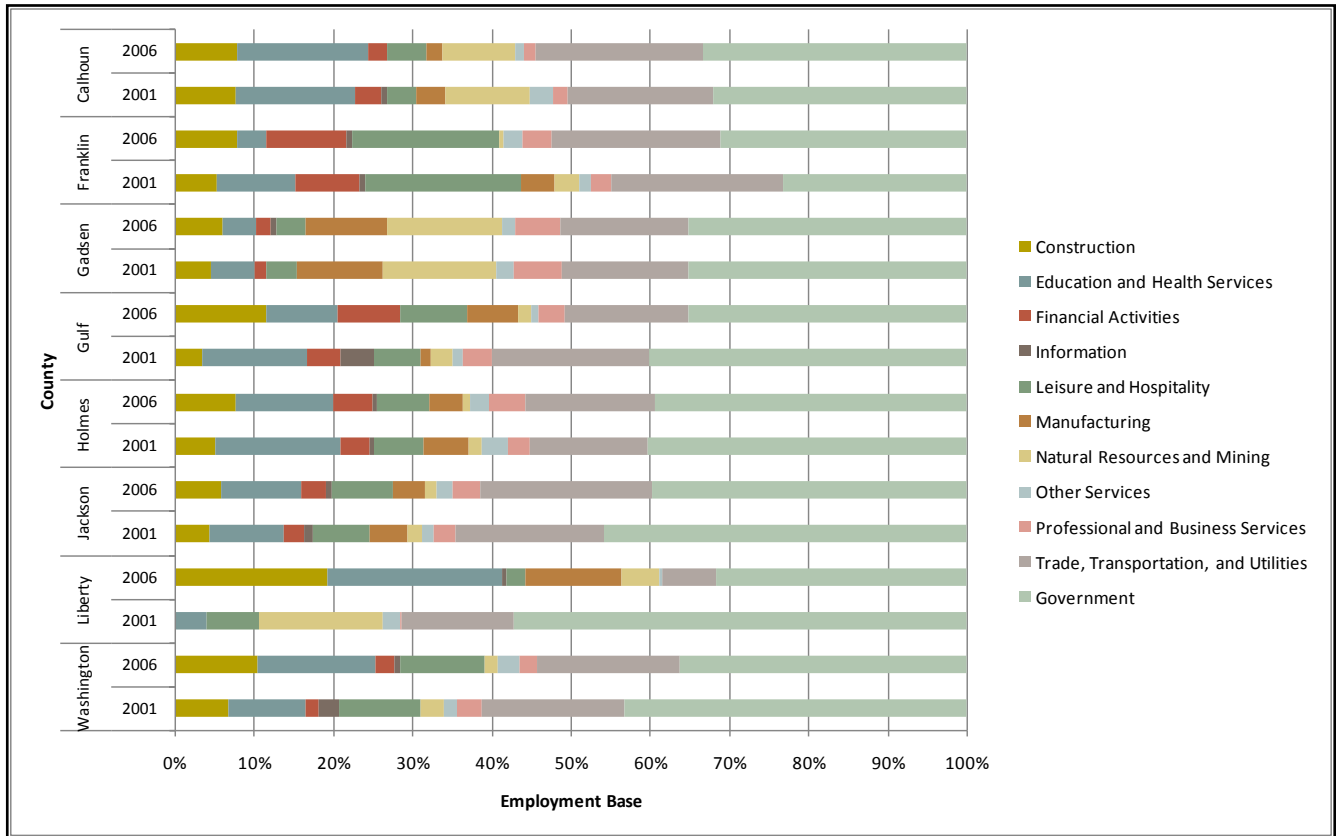


Employment opportunities in the Northwest RACEC are dominated by government sector jobs, although government employment decreased from 40 percent in 2001 to 35 percent of the employment base in 2006. Trade, Transportation and Utilities (17 percent) and Education and Health Services (12 percent) were also leading employment base sectors in the RACEC in 2006. Employment in the construction sector grew from 5 percent of the employment base in 2001 to 9 percent in 2006. Growth in the construction sector was led by Liberty County which increased the proportion of construction sector jobs from 0 percent in 2001 to 19 percent in 2006. Franklin County reported that in 2006 19 percent of the employment base was in leisure and hospitality, representing a significant upward departure from the RACEC average of 8 percent for the same period.¹⁰⁹ The increase is likely attributable to the successful development of a tourism industry within the county.

¹⁰⁸ U.S. Census Bureau.

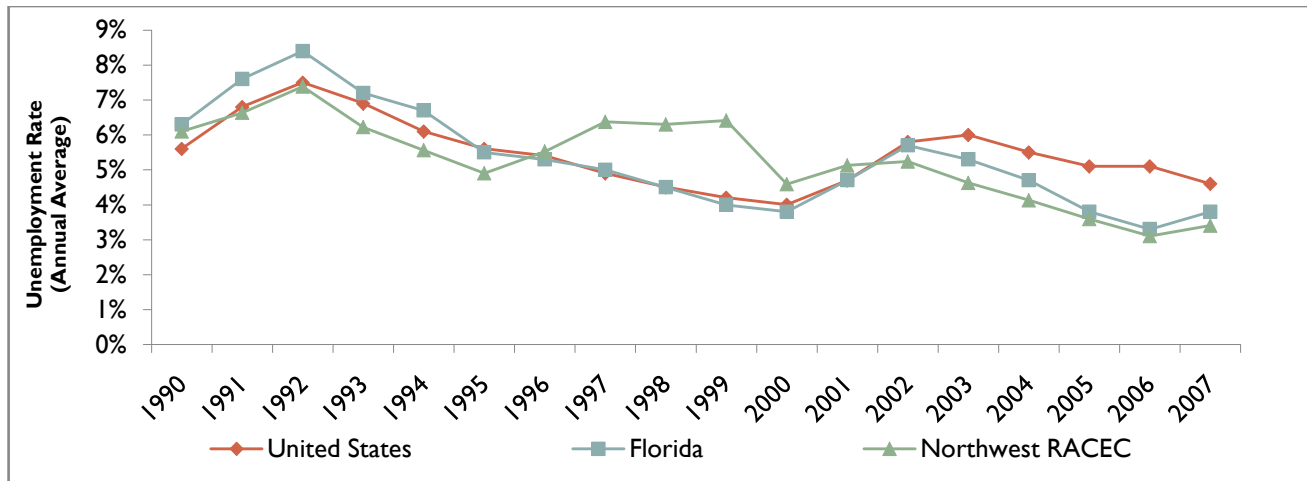
¹⁰⁹ Agency for Workforce Innovation.

FIGURE 33 EMPLOYMENT BASE, NORTHWEST RACEC, 2001&2006



The number of “unemployed” only includes people in the labor force who are actively seeking a job. Unemployment trends in the RACECs have been symmetrical to the overall employment trends in the United States and Florida. As of 2007, average unemployment in the Northwest RACEC stood at 3.4 percent, slightly below the average unemployment rate of 3.8 percent in Florida, and well below the national unemployment rate of 4.6 percent.¹¹⁰

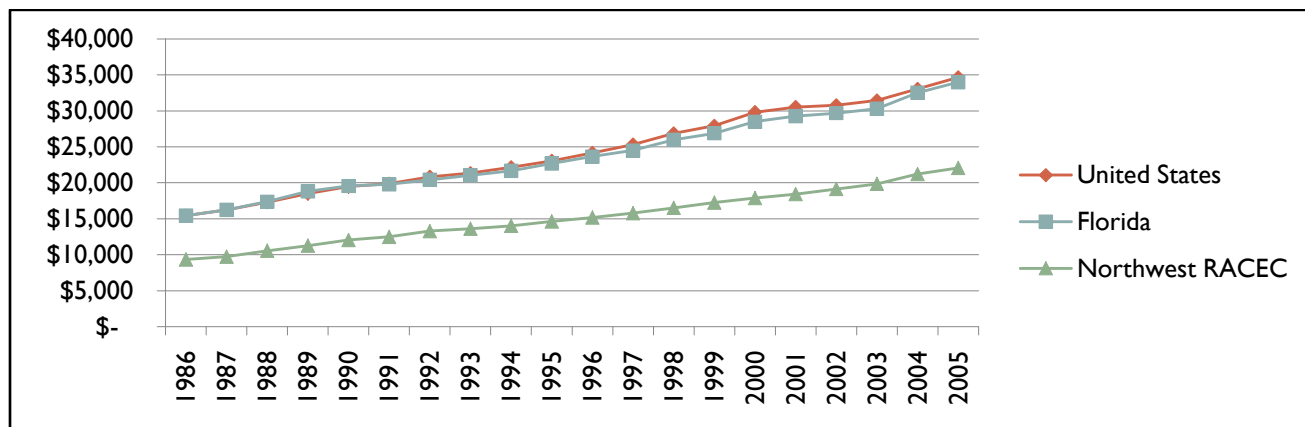
FIGURE 34 UNEMPLOYMENT RATE, NORTHWEST RACEC, 1990-2007



¹¹⁰ Agency for Workforce Innovation.

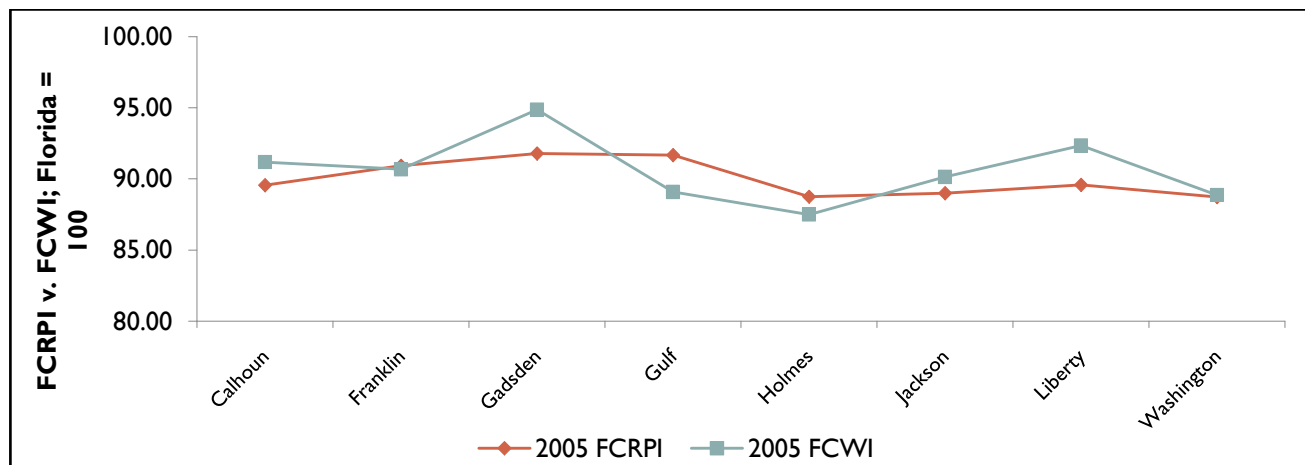
Although the RACEC reports strong employment, the area reports per capita income levels that are, on average, significantly less than those reported throughout Florida and the United States. Although statewide per capita income has grown lockstep with national indicators, average per capita income has remained stunted in the Northwest RACEC. In 2005, the most recent year for which comparable statistically significant data is available, the Northwest RACEC reported per capita income of \$22,079 compared with \$34,001 and \$34,685 in Florida and the United States respectively. Over the same period of time, per capita income grew in the Northwest RACEC by 136% compared with growth rates of 120% in Florida and 125% in the United States.¹¹¹

FIGURE 35 PER CAPITA INCOME, NORTHWEST RACEC, 1985-2005



The Florida County Retail Price Index (FRCPI), is an index of the relative income required to purchase the same basket of goods and services purchased by the average Floridian in each of Florida's counties at a particular point in time; the most recent FRCPI available measuring August 2005. The Florida County Wage Index (FCWI) the FCWI is an index of the relative wages paid to the typical worker performing an identical job across Florida's counties at a particular time. Comparing the FCWI as the cost of a labor input and the FRCPI as a relative indicator of a consumer's purchasing power, it is possible to compare the relative cost of living in a particular county measured against the relative labor prices in that county.¹¹²

FIGURE 36 COST OF LIVING, NORTHWEST RACEC, 2005



¹¹¹ Bureau of Economic Analysis.

¹¹² University of Florida Bureau of Economic and Business Research.

The Northwest RACEC is divided between counties where the FCWI is greater than the FRCPI (Calhoun, Gadsden, Jackson, Liberty and Washington) and counties where the inverse is true (Franklin, Gulf and Holmes). Where the FCWI is higher than the FRCPI, labor wages are proportionately higher than the cost of purchasing a basket of goods in the particular county. If the FRCPI is higher than the FCWI, the cost of purchasing a basket of goods in the particular county will be higher proportionately to the wages paid in the county.

FIGURE 37 HIGHWAY SYSTEM, NORTHWEST RACEC, 2007



Accessibility to major transportation arteries shapes development along each of the RACECs. In the North Central RACEC, the Interstate 10 corridor traverses the width of the RACEC. A vast network of State Roads provide ready north–south access to the Gulf of Mexico and through to Georgia and Alabama throughout the length of the RACEC

The outlook for economic development in the Northwest RACEC is cautiously positive. The region has suffered major setbacks in the past including the closing of a paper mill, regulations affecting the utility of commercial fishing nets and recent interstate water disputes that have threatened the output of commercial fisheries. The local economic development agency, Opportunity Florida, reports strong interests from the biofuel, timber, and tourism industries. The region has also benefitted from an increased sense of regional cooperation and new synergies generated by the REDI Initiative. Opportunity Florida reports positive results, including the implementation of fast-track permitting processes and the elimination of matching fund requirements for many state sponsored incentives.

Optimism in the region is guarded largely due to new federal regulations affecting the consumption of oysters during certain months of the year and a marked slow-down in the previously strong new home construction

industry. Opportunity Florida suggests that limited access to broadband internet services in the remote areas of the region will limit the nature of future growth opportunities.

NORTH CENTRAL RACEC PROFILE¹¹³

FIGURE 38 MAP OF NORTH CENTRAL RACEC

The North Central RACEC is dominated by manufacturing and distribution centers that benefit from the accessibility of the region given its proximity to Interstates 10, 75 and 95. Similar to the Northwest RACEC, the North Central RACEC has identified catalyst project opportunities in building components and manufacturing, and logistics and distribution. The size and complexity of the Northwest RACEC led to the identification of two parallel priority site short lists. Based on the geography of the region, the RACEC team prioritized three sites in Group 1 (Priority A: Phillips, Columbia County) and four sites in Group 2 (Priority A: Harrell, Suwannee County).¹¹⁵ As of February 2007, neither priority site is ready to build or “shovel ready.”

The North Central RACEC was designated more than two years after the South Central and Northwest RACECs. The region, prior to being incorporated as a RACEC, had not previously undertaken economic development activities with a regional perspective. Local officials warned of the need to create regional economic development capacity for the benefit of smaller counties that do not independently have the resources to pursue significant growth opportunities. It was August 2007 before a regional professional was hired to coordinate the efforts of the RACEC.

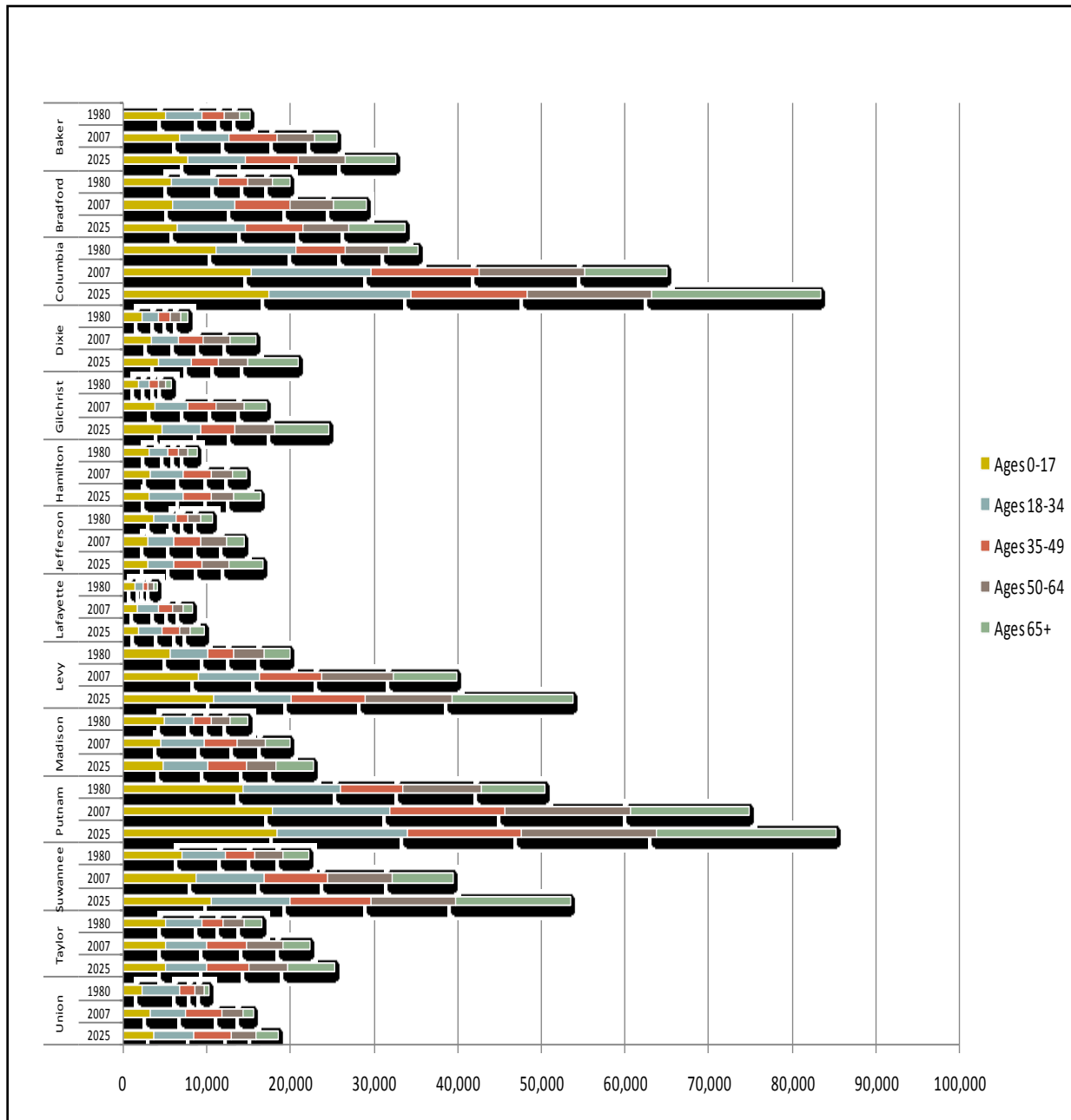
The North Central RACEC is the largest of the three RACECs with a population of 401,358 spread over fourteen counties.¹¹⁶ The population in the RACEC is expected to grow to over 495,861 by the year 2025.

113 U.S. Census Bureau.

115 North Central RACEC Catalyst Project Progress Report. May 2007. Enterprise Florida, Inc.

The RACEC includes fourteen rural counties: including Putnam (pop. 74,754) and Columbia (pop. 64,986), the two most populous counties in the RACEC. In contrast, seven of the RACECs fourteen counties had a population of less than 25,000 in 2007. Population in the county is evenly distributed among the different age groups. The largest proportion of youth under the age of eighteen is in Baker County (26 percent of the county's population). Estimates for the year 2025 indicate an increasing proportion of the population over the age of 65 throughout the entire RACEC.

FIGURE 39 POPULATION BY AGE, NORTH CENTRAL RACEC, 1980, 2007 & 2025



Population growth in the North Central RACEC is overwhelmingly driven by net domestic migration, accounting for 86.6 percent of growth compared with only 57.7 percent in Florida. Net international migration (6.0 percent) and natural increase (7.4 percent) account for only small fraction of the region's population growth.¹¹⁷

Residents of the North Central RACEC attain educational achievement at levels commensurate to that of other RACECs, but at levels below Florida and the United States. In 2000, 71.6 percent of residents had achieved at least a high school diploma and 9.7 percent had achieved at least a Bachelor's degree.¹¹⁸

The employment base in the North Central RACEC, similar to the Northwest RACEC, is dominated by government sector jobs.

FIGURE 40 COMPONENTS OF POPULATION GROWTH. NORTHWEST RACEC 2000-2005

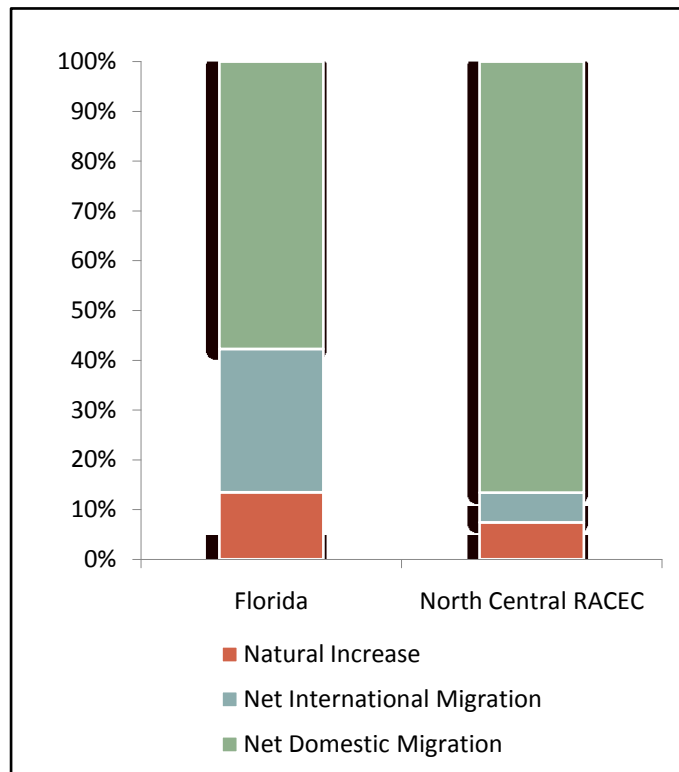


FIGURE 42 SHARE OF POPULATION WITH AT LEAST A HIGH SCHOOL DEGREE, NORTH CENTRAL RACEC 1990 & 2000

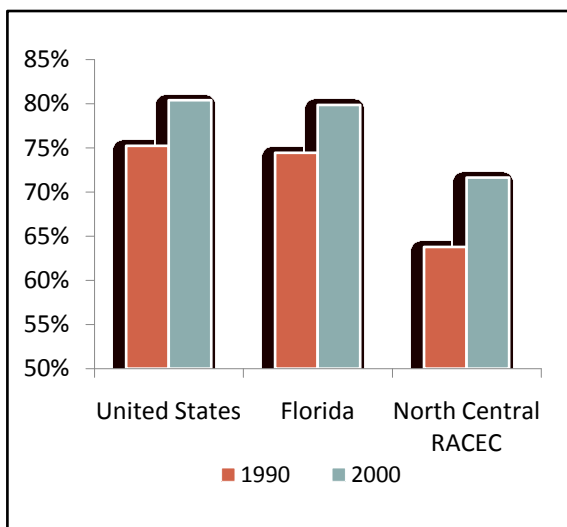
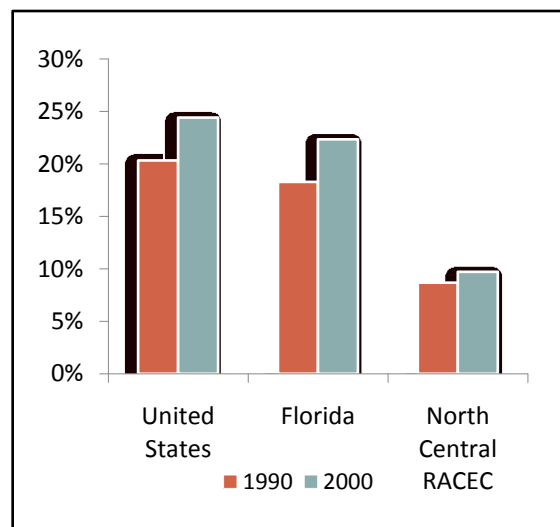


FIGURE 41 SHARE OF POPULATION WITH AT LEAST A BACHELOR'S DEGREE, NORTH CENTRAL RACEC 1990 & 2000



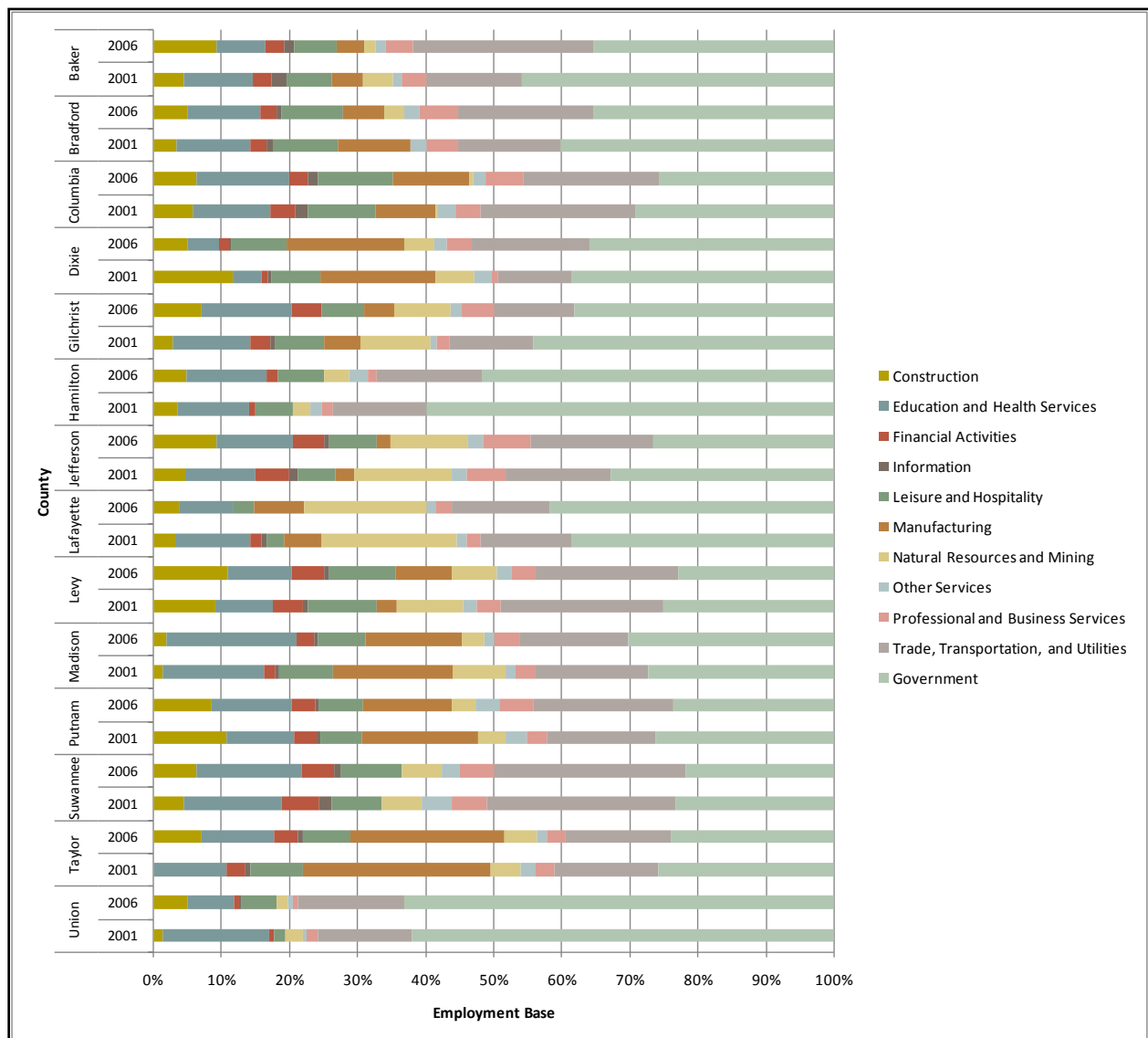
Trade, Transportation and Utilities (19 percent),

117 U.S. Census Bureau.

118 U.S. Census Bureau.

Education and Health Services (11 percent); and Manufacturing (8 percent) were the leading employment base sectors in the North Central RACEC during 2006.¹¹⁹

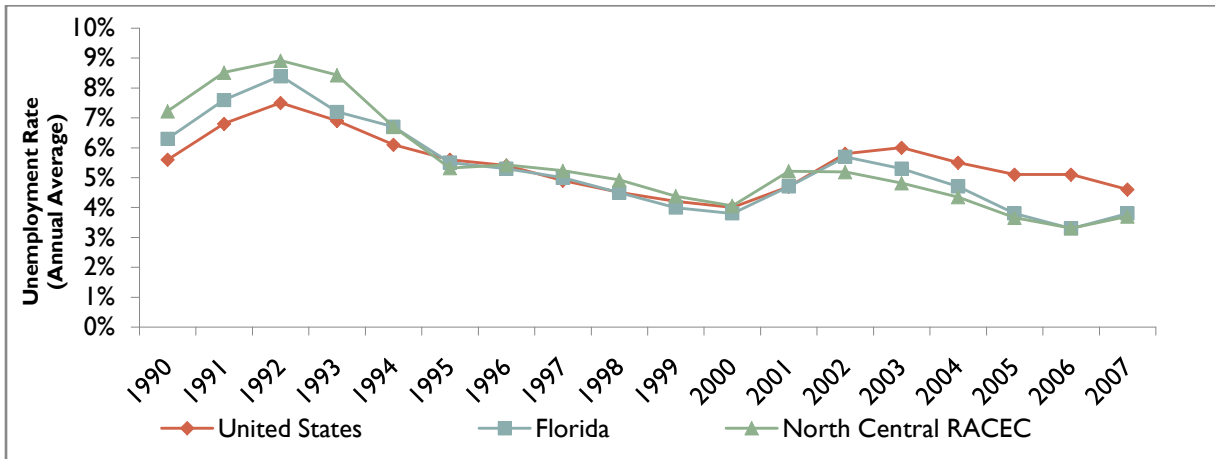
FIGURE 43 EMPLOYMENT BASE, NORTH CENTRAL RACEC, 2001&2006



¹¹⁹ Agency for Workforce Innovation.

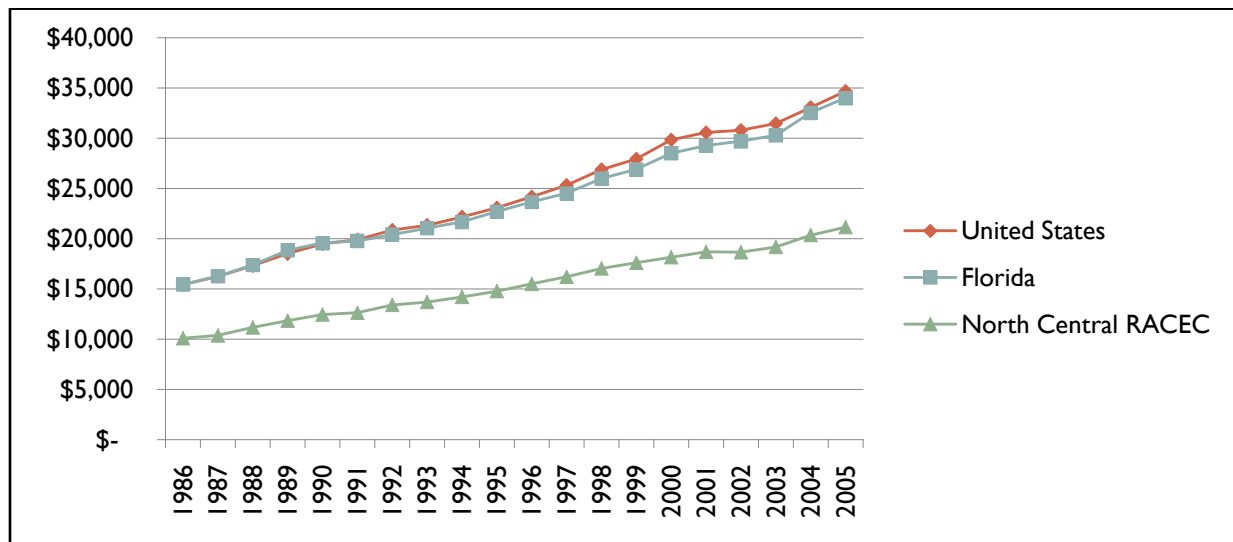
Unemployment rates in the North Central RACEC have been volatile over the last fifteen years. In recent years the RACEC has experienced a significant reduction in unemployment. In 2007 the RACEC enjoyed a low unemployment rate of 3.7 percent, relatively comparable with Florida (3.8 percent) and lower than the United States (4.6 percent).¹²⁰

FIGURE 44 UNEMPLOYMENT RATE, NORTH CENTRAL RACEC, 1990-2007



Per capita income levels have risen on pace with the per capita income levels in Florida and the United States, but still lag significantly behind. In 2005, the average per capita income in the North Central RACEC was \$21,137, compared with \$34,001 in Florida and \$34,685 in the United States.¹²¹

FIGURE 45 PER CAPITA INCOME, NORTH CENTRAL RACEC, 1986-2005

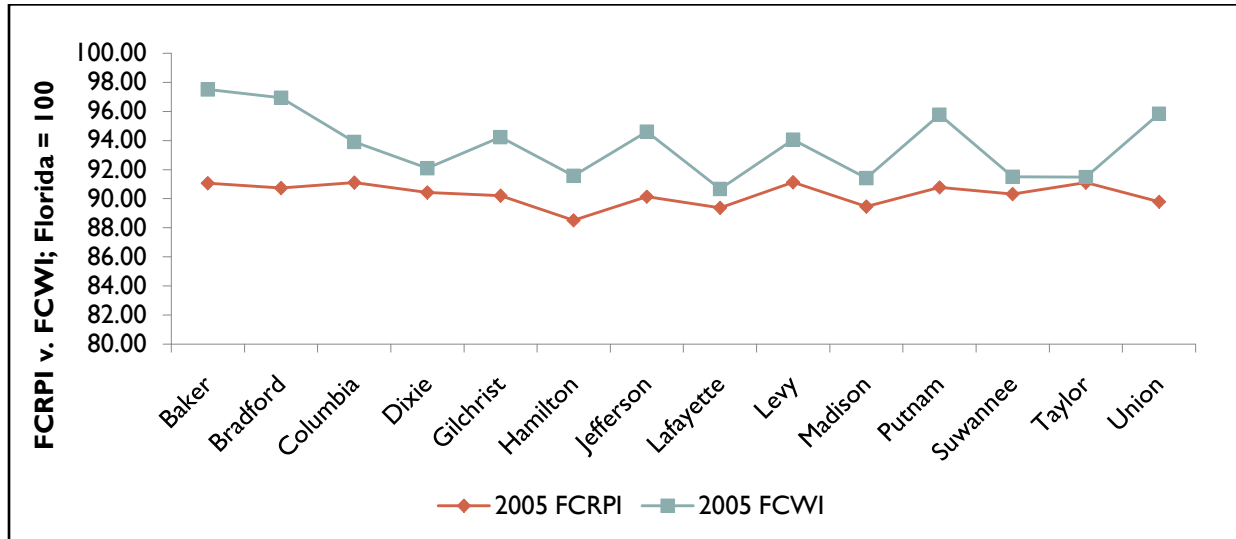


¹²⁰ Agency for Workforce Innovation.

¹²¹ Bureau of Economic Analysis.

Wages in the North Central RACEC outperform the relative purchasing power throughout the constituent counties. A resident of the North Central RACEC can expect to earn wages proportionately higher than what it will cost the same resident to purchase a basket of predetermined goods throughout the RACEC. Although wages throughout the RACEC are below comparable wages throughout Florida, the purchasing power of the wages earned by residents in the RACEC is significantly higher than it would be across the rest of the state.¹²²

FIGURE 46 COST OF LIVING, NORTH CENTRAL RACEC, 2005



Access to transportation in the North Central RACEC is dominated by the intersection of Interstate 10 and Interstate 75. The two major interstate arteries intersect north of Lake City in Columbia County. The RACECS proximity to Interstates 75 and 10 makes it well suited for distribution centers requiring access to major ground transportation arteries. Areas located in the Eastern parts of the RACEC enjoy close proximity to Interstate 95.

¹²² University of Florida Bureau of Economic and Business Research.

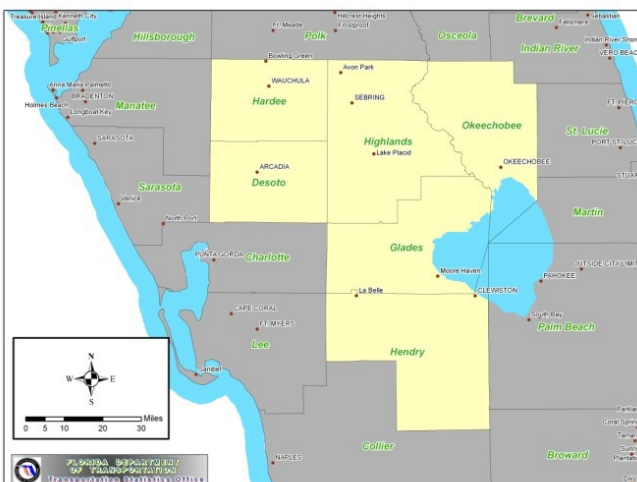
FIGURE 47 HIGHWAY SYSTEM, NORTH CENTRAL RACEC, 2007



The economic outlook for the region is positive. Although Alachua County is not formally part of the RACEC, the University of Florida in Gainesville is a principal economic center for the region. Strong economic growth closely related to the University's research centers provides job opportunities to residents of nearby counties. Additionally, the proximity of major interstates helps the region successfully attract new manufacturing and distribution centers particularly in the neighborhood of the interchange between Interstates 75 and 10. Local economic development officials also point to tourism as a prospective growth sector. A wealth of natural resources and eco-tourism opportunities within the RACEC are in close proximity to the state's larger tourist magnets in coastal areas and Orlando.

The South Central RACEC, dominated by the agricultural communities adjacent to Lake Okeechobee, was originally designated as a RACEC in 2001. OTTED reported several factors adversely affecting the area including: (1) the area's undiversified agricultural economy; (2) the citrus canker epidemic; (3) the closing of several packaging plants; and (4) the removal of significant acreage from agricultural production. Additionally, OTTED reported the closing of over 200 small businesses in the area during 1999 and early 2000. Upon re-designation of the area as a RACEC in 2006, OTTED noted significant improvement in the region attributable to the creation of a regional economic development organization¹²⁴ and other specific economic development events. Although the area has enjoyed increased per capita incomes and lower unemployment than in the past, it still lags the rest of the state in these key indicators.¹²⁵

FIGURE 48 MAP OF SOUTH CENTRAL RACEC



The South Central RACEC has identified catalyst project opportunities in the healthcare and sciences industries. As a result, RACEC team members analyzed and selected thirteen possible catalyst sites. After review the RACEC prioritized a short list of five possible sites. A site located at the Sebring Regional Airport in Highlands County was selected as the first priority site.¹²⁶ The Sebring Regional Airport site is the closest to being “shovel ready” among all of the catalyst project sites, lacking only minor incremental improvements. There is concern that the site, located in Highlands County, may lose access to certain aid if Highlands County loses its designation as a rural county because of population growth exceeding 100,000 residents.

Much of the positive growth in the RACEC is attributable to those areas within close proximity of the state's coastal urban areas. As suburban communities move further away from their respective urban cores, “exurbs” are beginning to develop within the outer boundaries of the RACEC. In many cases, the economic and demographic nature of these new communities may skew the perception of economic prosperity in the region. Local economic development officials warn that many areas of the South Central RACEC are anchored in agricultural communities and are prone to experiencing high levels of poverty, and comprise of a low-skill workforce that is not conducive to the development of new economic growth opportunities.

The South Central RACEC has a population of approximately 248,821 residents and is closely bordered by large metropolitan areas in South Florida.

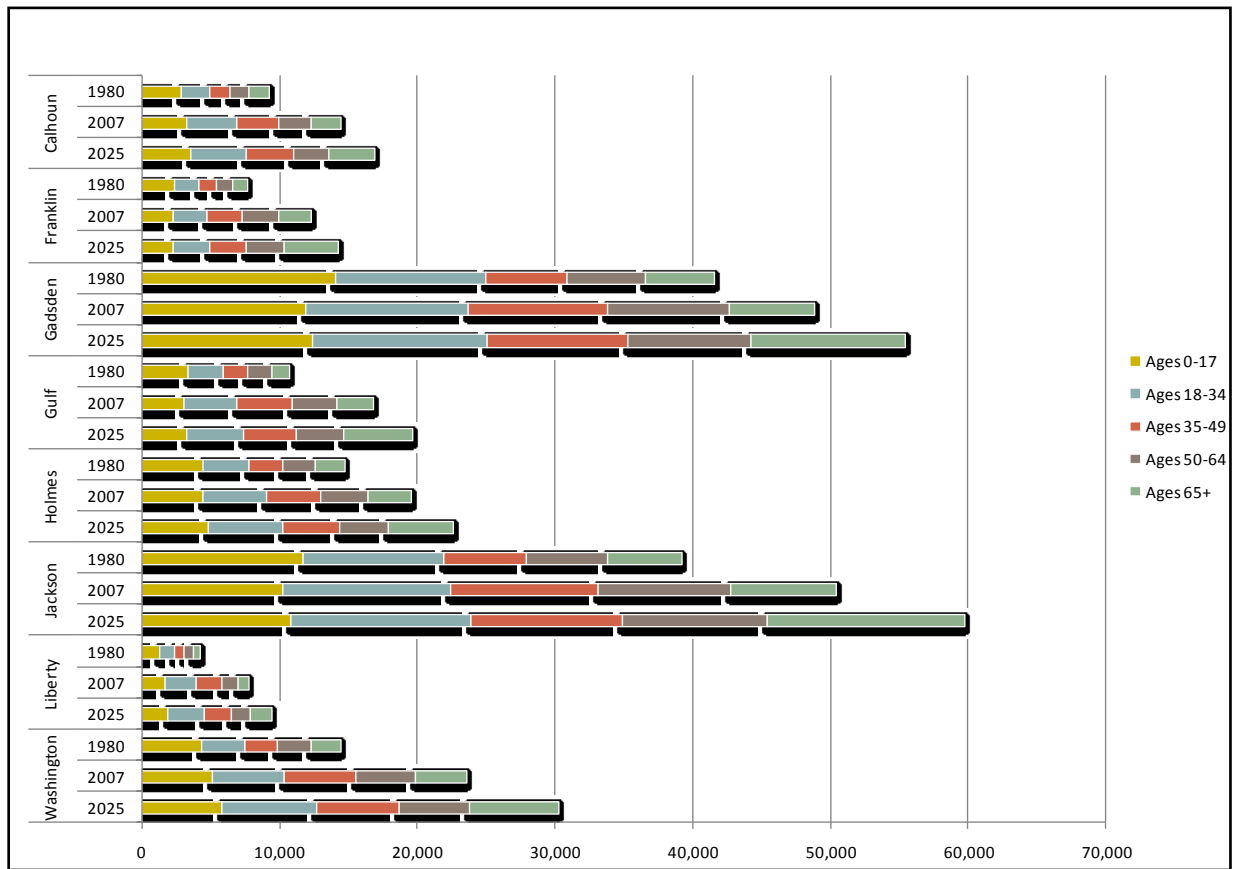
¹²³ U.S. Census Bureau.

¹²⁴ Florida's Heartland Rural Economic Development Initiative

¹²⁵ Memorandum from OTTED to REDI Participants regarding re-designation of South Central RACEC. January 17, 2006.

¹²⁶ South Central RACEC Catalyst Project Progress Report. May 2007. Enterprise Florida, Inc.

FIGURE 49 POPULATION BY AGE, SOUTH CENTRAL RACEC, 1980, 2007 & 2025



Population growth in the South Central RACEC is disproportionate among the member counties. In the northern region of the RACEC, Highlands County is experiencing significant growth. Demographic projections for year 2025 estimate that Highlands County will exceed a population of 126,184. The smallest county in the RACEC, Glades, presently has a population of 10,989. The South Central RACEC is the RACEC with the largest proportion of residents over the age of 65.

Growth in the South Central RACEC is dominated by net international migration which accounts for 40.6 percent of growth compared with only 28.8 percent in Florida. The remaining growth in the RACEC is accounted for by 11.7 percent natural increase and 47.7 percent domestic growth. High levels of net international migration are attributable to the volume of low-skill jobs concentrated in the RACECs agricultural communities.¹²⁷

The South Central RACEC lags other RACECs, Florida and the United States in achieving levels of educational attainment. In 2000, only 66.9 percent of residents had achieved at least a high school diploma and 10.7 percent at least a Bachelor's degree.¹²⁸

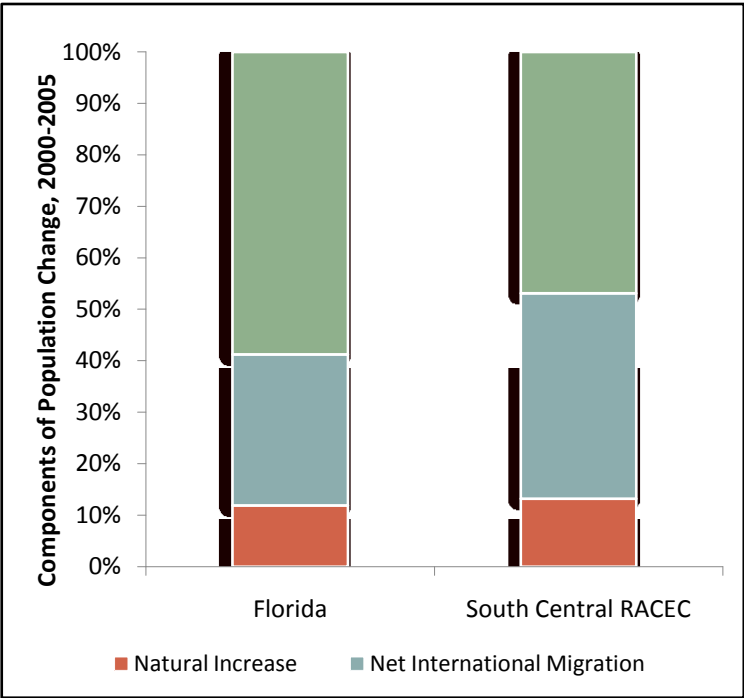


FIGURE 51 SHARE OF POPULATION WITH AT LEAST A HIGH SCHOOL DEGREE, SOUTH CENTRAL RACEC 1990 & 2000

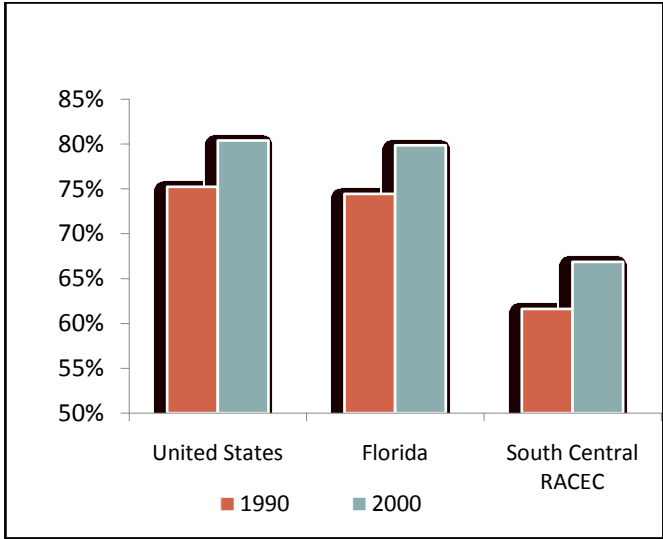
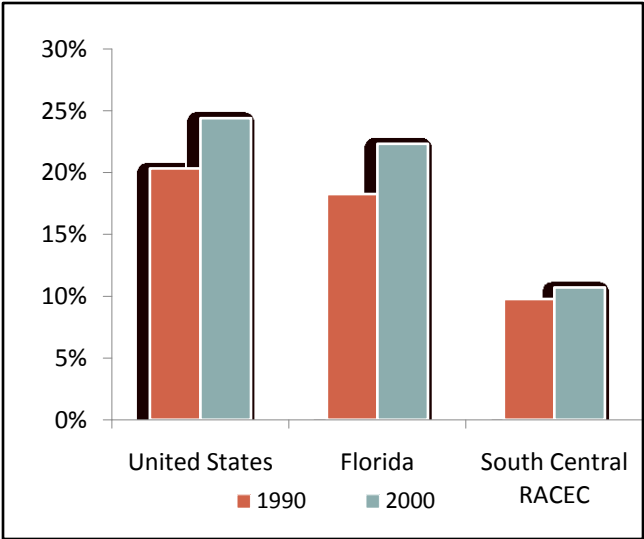


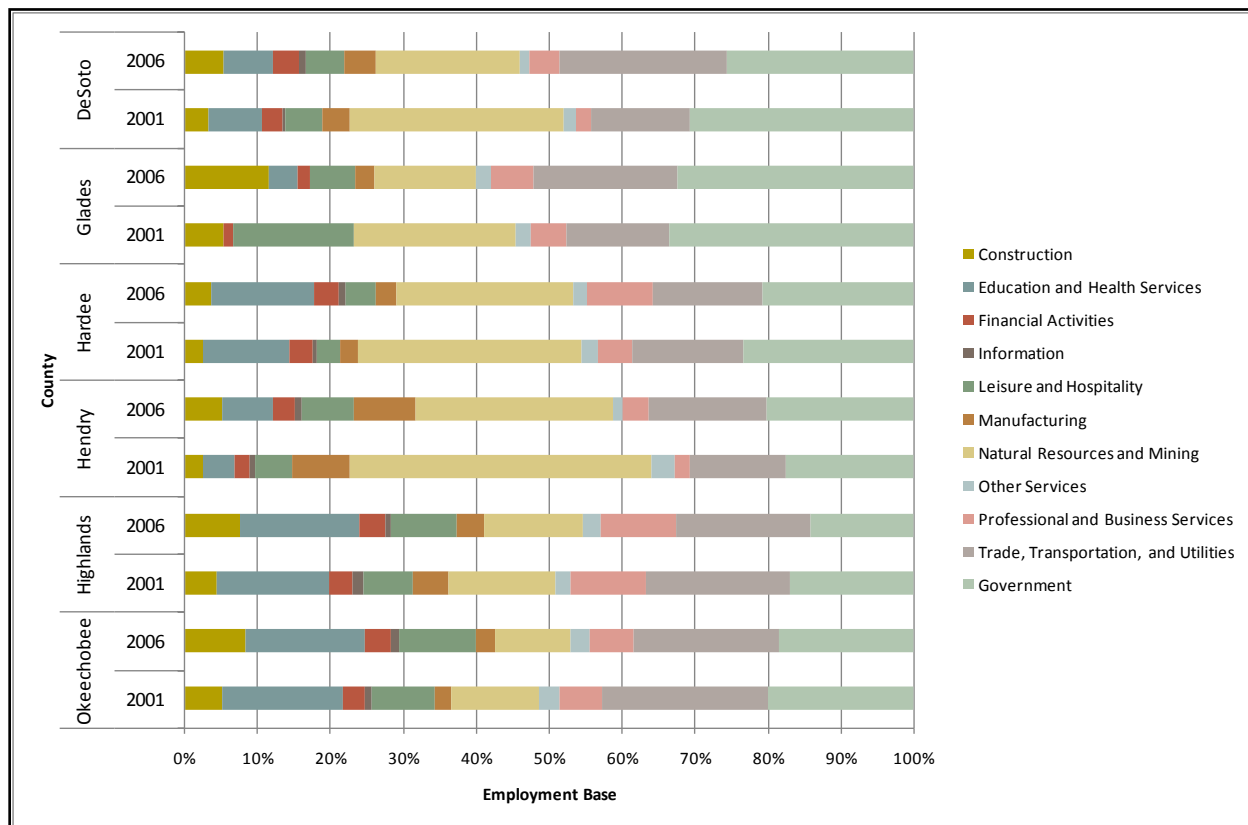
FIGURE 50 SHARE OF POPULATION WITH AT LEAST A BACHELOR'S DEGREE, SOUTH CENTRAL RACEC 1990 & 2000



127 U.S. Census Bureau.
128 U.S. Census Bureau.

Private sector employment in the South Central RACEC was predominately concentrated in Trade, Transportation and Utilities (19 percent), and Natural Resources and Mining (18 percent). Government sector jobs, similarly to the other RACECs, contributed to 22 percent of the employment base in 2006. ¹²⁹

FIGURE 52 EMPLOYMENT BASE, SOUTH CENTRAL RACEC, 2001 & 2006

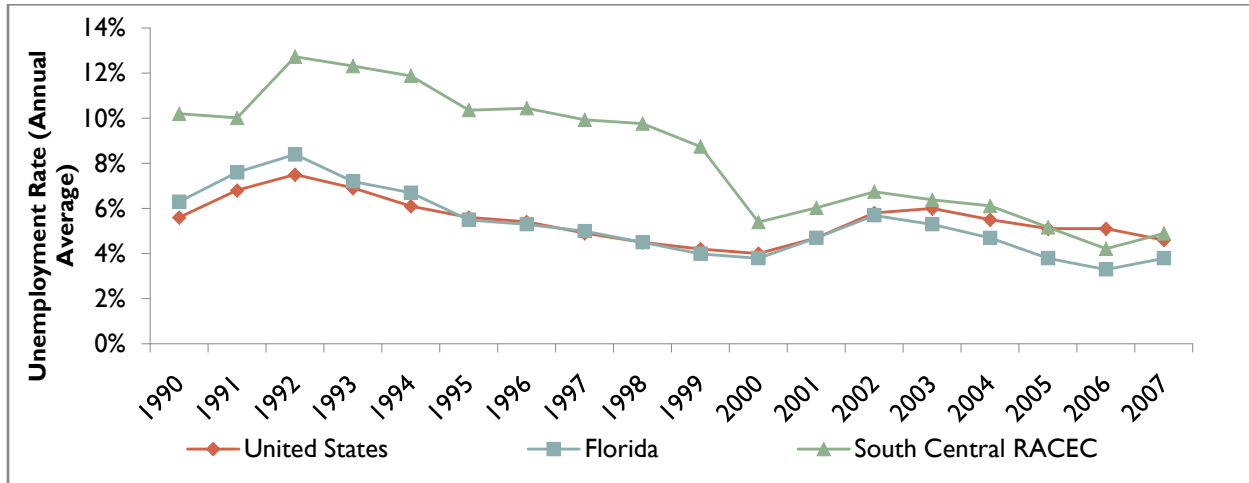


The South Central RACEC, until the year 2000, had consistently been plagued with unemployment rates markedly higher than the other RACECs, Florida and the United States. The South Central RACEC has maintained the highest level of unemployment in 2007 (4.9 percent). Hendry County, in the South Central RACEC, reported the highest unemployment level of any rural county in 2005 (7.0 percent). ¹³⁰

¹²⁹ Agency for Workforce Innovation.

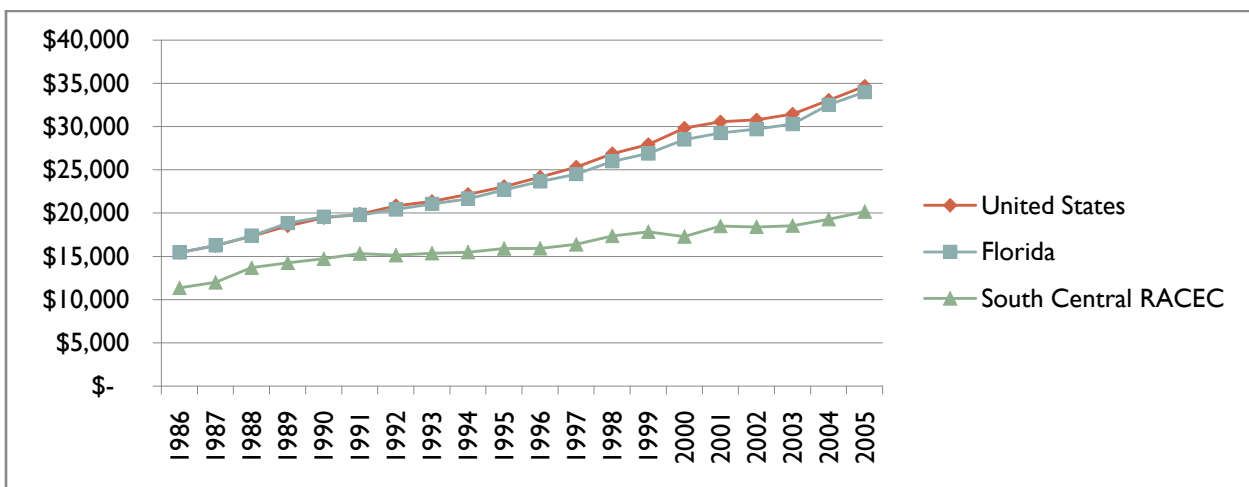
¹³⁰ Agency for Workforce Innovation.

FIGURE 53 UNEMPLOYMENT RATE, SOUTH CENTRAL RACEC, 1990-2007



Per capita income levels in the South Central RACEC have grown at a slower pace than those of other RACECs, Florida and the United States. In 2005, per capita income in the RACEC averaged \$20,179, compared with \$34,001 in Florida and \$34,685 in the United States. Most critically, per capita income has only risen by 78 percent since 1986 compares with 120 percent in Florida and 125 percent in the United States.¹³¹

FIGURE 54 PER CAPITA INCOME, SOUTH CENTRAL RACEC, 1990-2006

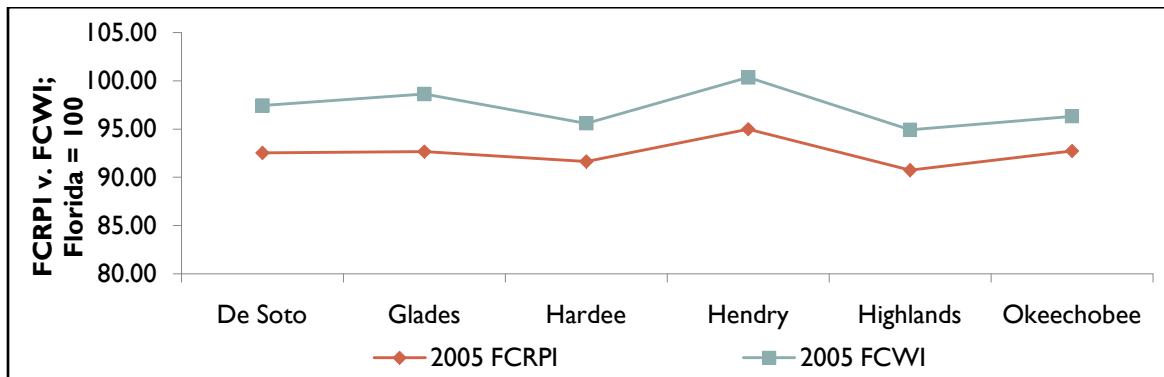


Wages throughout the South Central RACEC are below the statewide baseline (except Hendry County), but proportionately higher when considered in light of the purchasing power of the wages earned by residents in the RACEC. A wage earner in the South Central RACEC can expect that, compared to the rest of Florida; his wages will allow him to purchase a basket of goods at a price proportionately less than the rest of the state.¹³²

¹³¹ Bureau of Economic Analysis.

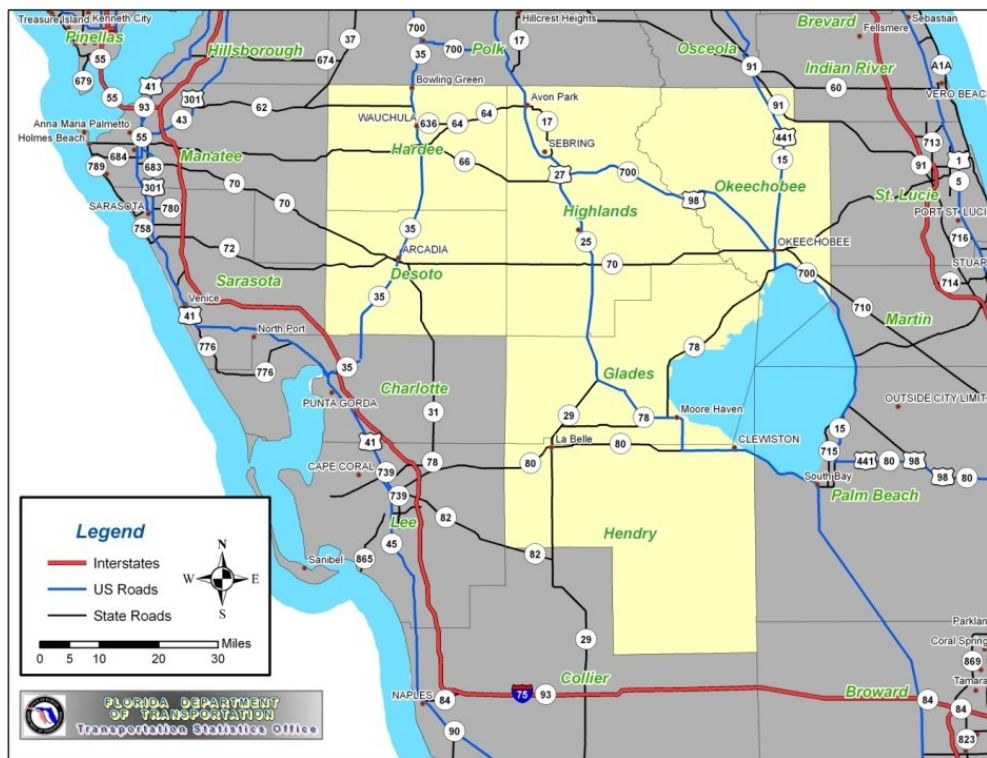
¹³² University of Florida Bureau of Economic and Business Research.

FIGURE 55 COST OF LIVING, SOUTH CENTRAL RACEC, 2005



The South Central RACEC is the least accessible RACEC. The RACEC is not served by an interstate or other major thoroughfare, but must instead rely on the limited capacity provided by US Highway 27 which traverses the RACEC from North to South; and US Highway 80 and US Highway 70 which traverse the RACEC from East to West and provide connecting service to the Florida Turnpike, as well as Interstates 75 & 95. Local economic development agencies report that the lack of adequate highway infrastructure strongly disadvantages economic growth opportunities in the region.

FIGURE 56 HIGHWAY SYSTEM, SOUTH CENTRAL RACEC, 2008



The outlook for future economic development in the region is guarded. Local economic development officials report high levels of poverty in agricultural communities, structural impediments to educating rural workforces, and severe road accessibility issues in the more remote areas of the region. Officials from Heartland Florida, a local economic development agency, suggest that Lake Okeechobee water level issues could present ongoing challenges for the regions under diversified tourism industry. The key challenge to continue economic growth opportunities in the South Central RACEC is to better connect the region's economy to urban Florida while successfully diversifying economic activities.

STATE RURAL PROGRAMS AND INCENTIVES

As mentioned earlier in this report, research shows that economic incentives focused in economically distressed areas will provide the greater opportunity for benefits. While incentives for training and infrastructure can be preferential because they remain in a local area even after a business may move or close, the cost for these improvements can be great.

Most of Florida's incentive and grant programs for rural and small counties are geared toward infrastructure improvements. This section will provide a brief detail of the following programs: Rural Infrastructure Fund, Rural Community Development Revolving Loan Fund, Regional Rural Development Grant Program, Small County Road Assistance Program, Small County Outreach Program, Small Cities Community Development Block Grant Program, Florida Communities Trust Program, Small County Solid Waste Grants, and Small Community Waste Water Construction Grants.

There are several other programs geared at rural or small counties offered by the state (e.g., the Small Counties Library program). These programs are not specifically geared towards economic development purposes and as such are not included in this report. Figure 60 provides historical state funding levels for rural programs.

FIGURE 57 SIX YEAR RURAL PRIORITY FUNDING,
FY2002-03 – FY2007-08

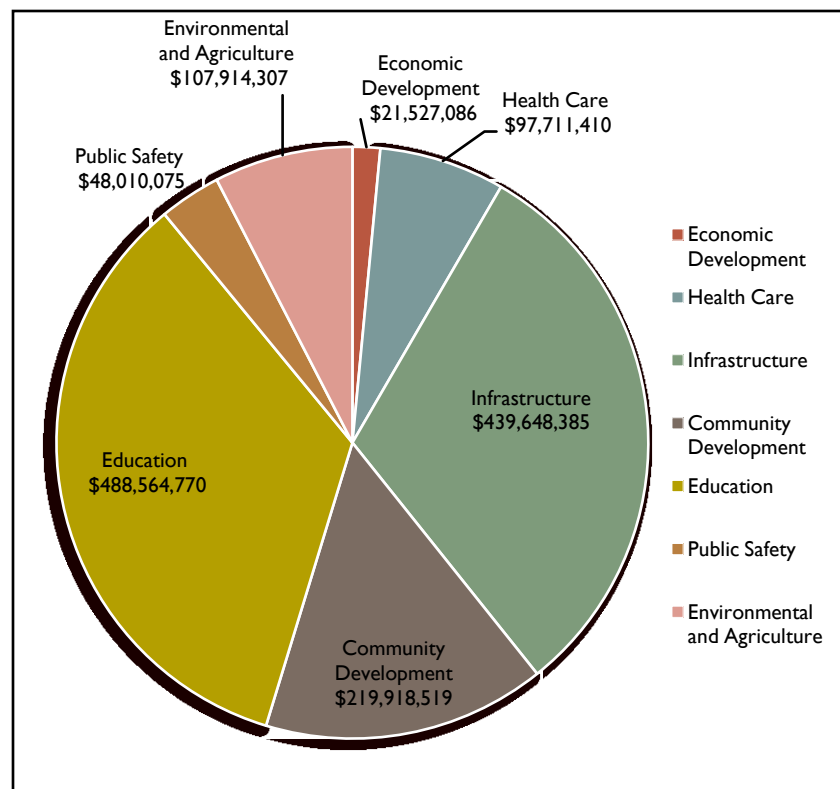


FIGURE 58 STATE FUNDING FOR RURAL PROGRAMS, FY 2002-03 – FY 2007-08

FLORIDA RURAL PROGRAMS AND INITIATIVES	FY 2002 - 2003	FY 2003 - 2004	FY 2004 - 2005	FY 2005 - 2006	FY 2006 - 2007	FY 2007 - 2008	TOTAL
Office of Tourism, Trade and Economic Development							
Rural Operations	\$ 80,000	\$ 78,986	\$ 79,525	\$ 79,525	\$ 79,525	\$ 79,525	\$ 477,086
Rural Community Development Grants and Loans	\$ 1,600,000	\$ -	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ 6,800,000
Rural Strategic Marketing Plan	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Rural Infrastructure Fund	\$ 1,500,000	\$ 500,000	\$ 2,150,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 12,250,000
Agency Subtotal	\$ 3,180,000	\$ 578,986	\$ 3,529,525	\$ 6,079,525	\$ 4,079,525	\$ 4,079,525	\$ 21,527,086
Agency for Health Care Administration							
Rural Hospital Assistance Program	\$ 12,718,166	\$ 12,746,090	\$ 12,746,090	\$ 12,743,294	\$ 12,718,187	\$ 12,718,187	\$ 76,390,014
Agency Subtotal	\$ 12,718,166	\$ 12,746,090	\$ 12,746,090	\$ 12,743,294	\$ 12,718,187	\$ 12,718,187	\$ 76,390,014
Department of Health							
Rural Health Development Initiative							
Rural Hospital Improvement Grants	\$ 2,500,000	\$ -	\$ -	\$ 3,500,000	\$ 3,000,000	\$ 3,000,000	\$ 12,000,000
Florida State Office of Rural Health	\$ 1,549,492	\$ 1,463,062	\$ 1,697,410	\$ 1,608,248	\$ 1,628,879	\$ 1,374,305	\$ 9,321,396
Agency Subtotal	\$ 4,049,492	\$ 1,463,062	\$ 1,697,410	\$ 5,108,248	\$ 4,628,879	\$ 4,374,305	\$ 21,321,396
Department of Agriculture and Consumer Services							
Rural Community Fire Protection Cooperative Equipment Lease Program	\$ 72,589	\$ 72,589	\$ 72,589	\$ 72,589	\$ 72,589	\$ 72,589	\$ 435,534
Small County Technical Assistance Programs	\$ 500,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 2,250,000
Agency Subtotal	\$ 572,589	\$ 422,589	\$ 422,589	\$ 422,589	\$ 422,589	\$ 422,589	\$ 2,685,534
Department of Environmental Protection							
Small Community Wastewater Treatment Grants	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ 13,000,000	\$ 22,000,000	\$ 21,000,000	\$ 66,500,000
Small County Solid Waste Grants	\$ 5,800,000	\$ 4,000,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 9,428,773	\$ 38,728,773
Agency Subtotal	\$ 9,300,000	\$ 7,500,000	\$ 10,000,000	\$ 19,500,000	\$ 28,500,000	\$ 30,428,773	\$ 105,228,773
Department of Community Affairs							
Florida Small Cities Community Development Block Grant Program (CDBG)	\$ 45,887,393	\$ 27,839,000	\$ 35,903,804	\$ 39,942,131	\$ 35,000,000	\$ 35,000,000	\$ 219,572,328
Agency Subtotal	\$ 45,887,393	\$ 27,839,000	\$ 35,903,804	\$ 39,942,131	\$ 35,000,000	\$ 35,000,000	\$ 219,572,328
Department of Revenue							
Revenue sharing for fiscally-constrained counties	\$ -	\$ -	\$ -	\$ -	\$ 16,086,191	\$ 18,660,000	\$ 34,746,191
Agency Subtotal	\$ -	\$ -	\$ -	\$ -	\$ 16,086,191	\$ 18,660,000	\$ 34,746,191
Department of Transportation							
Small County Outreach Program (SCOP)	\$ 1,460,000	\$ 1,500,000	\$ 20,000,000	\$ 32,527,930	\$ 45,465,081	\$ 47,447,058	\$ 148,400,069
Small County Road Assistance Program (SCRAP)	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,370,368	\$ 150,370,368
County Incentive Grants Program (CIGP)	\$ 5,840,000	\$ 6,000,000	\$ -	\$ 46,767,801	\$ 46,502,057	\$ 34,903,936	\$ 140,013,794
Rural Transportation Assistance Program (RTAP)	\$ 117,184	\$ 117,246	\$ 116,935	\$ 156,228	\$ 176,561	\$ 180,000	\$ 864,154
Agency Subtotal	\$ 32,417,184	\$ 32,617,246	\$ 45,116,935	\$ 104,451,959	\$ 117,143,699	\$ 107,901,362	\$ 439,648,385
Department of State							
Communities Library & Caring Program	\$ -	\$ -	\$ 100,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 600,000
Small County Libraries							\$ -
Agency Subtotal	\$ -	\$ -	\$ 100,000	\$ 200,000	\$ 200,000	\$ 100,000	\$ 600,000
Department of Education							
Education Sparsity Funding	\$ 31,000,000	\$ 31,000,000	\$ 31,000,000	\$ 35,000,000	\$ 35,000,000	\$ 39,724,000	\$ 202,724,000
Education Capital Projects - Special facilities Construction Projects	\$ 51,390,334	\$ 55,050,235	\$ 71,374,645	\$ 54,970,000	\$ 27,531,199	\$ 24,994,701	\$ 285,311,114
DCD Supplement for Small Counties			\$ 529,656				\$ 529,656
Agency Subtotal	\$ 82,390,334	\$ 86,050,235	\$ 102,904,301	\$ 89,970,000	\$ 62,531,199	\$ 64,718,701	\$ 488,564,770
Department of Juvenile Justice							
Juvenile Detention Cost Shift Relief			\$ 3,500,000	\$ 5,529,581	\$ 5,306,166	\$ 6,329,328	\$ 20,665,075
Agency Subtotal	\$ -	\$ -	\$ 3,500,000	\$ 5,529,581	\$ 5,306,166	\$ 6,329,328	\$ 20,665,075
State Courts							
Small County Courthouses	\$ 2,800,000		\$ 3,850,000	\$ 5,500,000	\$ 7,150,000	\$ 8,045,000	\$ 27,345,000
Agency Subtotal	\$ 2,800,000	\$ -	\$ 3,850,000	\$ 5,500,000	\$ 7,150,000	\$ 8,045,000	\$ 27,345,000
Totals for All Rural Programs	\$ 193,315,158	\$ 169,217,208	\$ 219,770,654	\$ 289,447,327	\$ 293,766,435	\$ 292,777,770	\$ 1,458,294,552

RURAL INFRASTRUCTURE FUND

The Rural Infrastructure Fund was created within the Office of Tourism, Trade, and Economic Development in 1996 to facilitate the planning, preparing and financing of infrastructure projects in rural communities.¹³³ Three project grants are available under the program: (1) Total Project Participation Grants; (2) Feasibility Grants; and (3) Preclearance Review Grants. The maximum amount available per grant for each project is limited to 25 percent of total appropriated funds. The Florida Legislature provided \$2.7 million for fiscal year 2007-08.¹³⁴

Total Participation Grants may fund up to 30 percent of the total infrastructure project costs related to specific job creating opportunities where applicants have applied for the maximum available under other state or federal infrastructure funding programs. Total participation grants are intended to leverage local, state and federal funds.

Feasibility Grants are awarded to facilitate the location or expansion of a specific job-creating opportunity. Feasibility Grants may be awarded for infrastructure feasibility studies, design and engineering or other planning and preparation activities. Feasibility grants are limited to: (1) 50,000 for projects creating at least 100 jobs; (2) \$150,000 for projects creating at least 300 jobs; or (3) \$300,000 for projects in rural areas of critical economic concern.

Total Project Participation Grants and Feasibility Grants may be used in conjunction with each other if the total appropriation does not exceed 30 percent of the total project cost.

Preclearance Review Grants are intended to facilitate the access of rural communities to the resources available under the Expedited Permitting – Preclearance Review Process (s. 403.973(18), F.S.). Grants may be awarded for surveys, feasibility studies and other activities related to the identification and preclearance review of potential land use modifications.

Enterprise Florida, Inc., the entity responsible for marketing the program, reports that past applicants have commented that the program meets only incremental needs because grants are limited to the lesser of 30 percent of the total project cost or 25 percent of the total appropriation. Otherwise eligible large-scale regional projects are ineligible for funding by the Rural Infrastructure Fund because of the relatively small size of the program.

OTTED reports significant success with a broad variety of small projects funded through the Rural Infrastructure Fund. Flexible program guidelines allow for assistance in locating or maintaining a broad variety of job creation or retention opportunities ranging from eco-tourism to large distribution centers. The nature of Rural Infrastructure Fund grants prevent the use of traditional project evaluation criteria (e.g., jobs created or retained, ROI) because in most instances award of the grant is not predicated solely on job creation or on anticipated capital investment. For example, Rural Infrastructure Fund

¹³³ s. 288.0655, F.S.

¹³⁴ These funds are not subject to reversion.

grants used to finance feasibility studies do not require the applicant to assign particular job creation or capital investment requirements to the grant application.

From fiscal year 2000-01 to 2006-07, the Rural Infrastructure Fund has financed \$14.3 million in grants for 44 projects with a total cost of \$126.6 million. These grants have been used to leverage funding of \$108.7 million. Projects benefiting from Rural Infrastructure Fund grants have resulted in \$544 million in capital investment, 4,481 jobs created and 1,734 jobs retained.

RURAL COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

The Rural Community Development Revolving Loan Program (RCDL) was established in 1996 in the Office of Tourism, Trade, and Economic Development for purposes of providing financial assistance to local governments in the form of loan or loan guarantees.¹³⁵ The program is intended to provide financial assistance for a specific project that will lead to the creation of new jobs and increase the economic vitality and diversification of Florida's rural counties. The program is not intended to be used as the sole source of financing for a project. Maximum financing available for any project is \$560,000.¹³⁶

Eligible applicants for RCDL funds include: (1) Counties with a population less than 75,000; (2) units of local government within counties with populations less than 75,000; (3) counties with a population of 100,000 or less but contiguous to a county with a population of less than 75,000 or units of local government within such a county; (4) quasi-public organizations that are sponsored by units of local government defined above.¹³⁷ Projects eligible for funding are capital projects undertaken by an applicant that is expected to lead to the creation or retention of jobs for residents of the applicant's jurisdiction or one that contributes directly to the expansion or diversification of the economic base of the applicant.

Applicants are legally bound to repay the loans, or compensate for guarantees and reserves. Generally, interest rates for loans funded under RCDL will not exceed 5 percent per annum, or a commitment fee of 3 percent per annum for guarantees. A commitment from the RCDL is valid for one year from the date of approval, but may be extended up to 12 additional months pursuant to a substantial review of the project.¹³⁸

As of November 2007, nine projects are currently funded by RCDL. These represent several hospitals and projects in rural areas of critical economic concern. The average loan or loan guarantee for this period is for \$381,225. EFI, the entity responsible for marketing the program, reports that local government applicants are hesitant to secure funds for private projects under this program because the local government bears the ultimate legal and financial responsibility in the event of default. The program

¹³⁵ s. 288.065, F.S.

¹³⁶ Rural Revolving Loan Program Fact Sheet. Enterprise Florida Inc.

¹³⁷ s.288.065(2), F.S.

¹³⁸ Rural community Development Revolving Loan Program Guidelines. Office of Tourism, Trade and Economic Development. November 15, 2001.

consistently receives an appropriation of approximately \$900,000 from the Economic Development Trust Fund. OTTED reports that return-on-investment and job creation data is not recorded for this program.

REGIONAL RURAL DEVELOPMENT GRANT PROGRAM

The Rural Community Grant Program, created in 1996, is a matching grant program that provides funding to regionally-based economic development organizations representing rural counties and communities for purposes of building the professional capacity and furthering the mission of the organization. Grant proceeds may be used, among other things, to promote economic development, tourism, advance job creation, and promote business expansion. Grants are often used to provide training for applicants to conduct or attend training programs related to economic development strategies. The maximum amount an organization may receive, on an annual basis, is \$35,000. Organizations residing within a rural area of critical economic concern are eligible for up to \$100,000 each year. All grants disbursed under this program must be matched on a dollar-for-dollar basis by the nonstate resources.¹³⁹

The grant program was appropriated \$400,000 from General Revenue during fiscal year 2007-08. OTTED is authorized to expend up to \$750,000 each year from funds appropriated to the Rural Community Revolving Loan Fund for purposes of funding grants under the Regional Rural Development Grant Program.¹⁴⁰ The program awarded seven grants totaling \$270,000 during fiscal year 2006-07. The program has awarded 23 grants from fiscal year 2002-03 to fiscal year 2006-07 totaling over \$1,084,134. Grants awarded ranged from \$5,000 to \$100,000.

SMALL COUNTY ROAD ASSISTANCE PROGRAM (SCRAP)

The Small County Road Assistance Program (SCRAP) was created in the Florida Department of Transportation (FDOT) in 1999 to assist small county governments in resurfacing or reconstructing county roads. For purposes of this program, Florida law defines a small county as a county with a population of less than 75,000 according to 1990 Federal Census data. Eligible counties must also meet statutory millage rate and gas tax requirements. The FDOT categorized 26 counties as eligible for SCRAP grants during fiscal year 2007-08.¹⁴¹

In April of each year, FDOT district secretaries send letters to each county requesting a list of candidate projects. Counties must subsequently submit candidate projects to FDOT which are then reviewed on the basis of road quality. Projects are later prioritized by the department based on a selection criterion.

¹³⁹ s. 288.018(1), F.S.

¹⁴⁰ s. 288.018(4), F.S.

¹⁴¹ s. 339.2816, F.S.

The primary selection criterion is the physical condition of the road as measured by the department. As a secondary criteria, the department may consider (1) whether a road is used as an evacuation route; (2) whether a road has high levels of agricultural travel; (3) whether a road is considered a major arterial route; (4) whether a road is considered a feeder road; and (5) other criteria related to the impact of a project on the public road system or on the state or local economy as determined by the department.

Funding for SCRAP is statutorily mandated at \$25 million annually from the State Transportation Trust Fund. SCRAP funds may only be used for resurfacing or reconstruction projects on county roads that were part of the county road system as of June 10, 1995; these funds may not be used for capacity improvements or new road construction. SCRAP will expire on June 30, 2010 without additional legislative action. The type of projects presently funded through SCRAP would be eligible to compete for funding under the more liberal regulations of the Small County Outreach Program (SCOP).

SMALL COUNTY OUTREACH PROGRAM (SCOP)

The Small County Outreach Program, created in 2000, assists small county governments in resurfacing or reconstructing county roads, or in constructing capacity or safety improvements to county roads.¹⁴² A small county, for purposes of this program, is defined as any county that has a population of 150,000 or less according to the latest population estimate by the Florida Office of Economic & Demographic Research.¹⁴³

Small counties are eligible to compete for funds for county road projects for up to 75 percent of the cost of the projects, and must provide at least 25 percent of funding themselves. The selection criteria authorize consideration of any special services the county road in question may provide including hurricane evacuation route, agricultural travel, arterial route or feeder route.

The selection process for SCOP grants is very similar to the process for SCRAP grants. In April of each year, FDOT district secretaries send letters to each county requesting a list of candidate projects. Counties must subsequently submit candidate projects to FDOT which are then reviewed on the basis of road quality. Projects are later prioritized by the department based on a selection criterion. The primary selection criterion is the physical condition of the road as measured by the department. As a secondary criteria, the department may consider: (1) whether a road is used as an evacuation route; (2) whether a road has high levels of agricultural travel; (3) whether a road is considered a major arterial route; (4) whether a road is considered a feeder road; and (5) other criteria related to the impact of a project on the public road system or on the state or local economy as determined by the department.

In fiscal year 2007-08, SCOP was funded \$8.3 million from General Revenue and \$37.8 million from the Growth Management Trust Fund. SCOP funded 10 projects from General Revenue funds averaging \$1.2 million each; and 33 projects were funded through the Growth Management Trust Fund averaging \$1.3

¹⁴² s. 339.2818, F.S.

¹⁴³ s. 339.2818, F.S.

million per project. An increase in the number of applicants for SCOP funding may occur as a result of the sunset of the SCRAP program in fiscal year 2009-10.

SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (CDBG)

The Florida Small Cities Community Development Block Grant Program Fund was created in 1997 in the Department of Community Affairs for the purpose of administering the federal loan guarantee program created by the Housing and Community Development Act of 1974 as amended by the Cranston-Gonzalez National Affordable Housing Act of 1990. The Florida Small Cities Community Development Block Grant Program (CDBG) is funded by and administered pursuant to regulations set forth by the U.S. Department of Housing and Urban Development.¹⁴⁴

The purpose of the program is to guarantee, or to make commitments to guarantee, notes or other obligations issued by public entities for projects related to commercial revitalization, economic development, housing and neighborhood revitalization. Local governments can apply for a Planning and Design Specifications grant for architectural and engineering plans and specifications associated with Commercial or Neighborhood Revitalization projects. Local governments applying for CDBG funds must consider national and state goals and objectives when developing proposals, and each proposal must meet at least one of the following three national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slums or blight; or (3) address community development needs having a particular urgency, because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available.

Non-entitlement cities, or cities who opt out of an urban entitlement program, with a population less than 50,000 and counties having a population less than 200,000 are eligible to apply for Small Cities Community Development Block Grant funds.

The program received \$29.7 million in federal funds for federal fiscal year 2007-08 and passed through \$26.9 million to local governments after administrative costs. The Florida Legislature is authorized to allocate funding received from the Federal government within the four Federal mandates. In fiscal year 2006-07, the Legislature authorized an allocation of 40 percent for neighborhood revitalization, 30 percent for Economic Development, 20 percent for housing revitalization, and 10 percent for community revitalization.

¹⁴⁴ s. 290.0401, et. seq., F.S.

SMALL COUNTY SOLID WASTE GRANTS

Small County Solid Waste Grants was created in 1983 to fund projects related to the removal of solid waste in counties with a population of less than 100,000. The Department of Environmental Protection is authorized to disburse the total appropriation among qualifying counties.¹⁴⁵ In fiscal year 2007-08 the total appropriation for the program was \$9.4 million or \$277,316 per qualifying small county.

Grant proceeds may be used by counties for purchasing or repairing solid waste scales, maintenance of solid waste facilities, deferral of annual solid waste management program costs, education for employees or public, planning, recycling demonstration projects, construction of solid waste facilities, and litter control and waste tire activities.

SMALL COMMUNITY WASTE WATER CONSTRUCTION GRANTS

The Small Community Sewer Construction Assistance Act was created in 1983 to provide grants to financially disadvantaged small communities for financing adequate sewer facilities. Eligible communities are municipalities with a population of less than 7,500 and a per capital annual income less than the state per capita annual income.¹⁴⁶

The Florida Department of Environmental Protection is tasked with providing grants, from funds specifically appropriated for this program, to finance up to 100 percent of the costs of planning, designing, constructing, upgrading, or replacing wastewater collection, transmission, treatment, disposal and reuse facilities, including all necessary legal and administrative costs.¹⁴⁷ Since 2001, the department has awarded 61 grants totaling \$133.7 million. These grants range from \$54,000 to \$24 million with a median grant award of \$755,966.¹⁴⁸ The total appropriation for the program for fiscal year 2007-08 was \$21.0 million.

¹⁴⁵ s. 403.7095(4), F.S.

¹⁴⁶ s. 403.1838(2), F.S.

¹⁴⁷ s. 403.1838(3)(a), F.S.

¹⁴⁸ The majority of grants awarded were for less than \$1,000,000 (36 grants). Twenty-eight grants awarded were between \$1,000,000 and \$7,300,000. The two remaining grants awarded were for 16,880,064 and \$24,145,389.

PART IV COMPETITION FROM OTHER STATES

Florida is in fierce competition with states in the region and across the country to attract and grow business. Over the last two decades, the state has taken strides to ensure Florida is recognized as a business-friendly state such as enacting tort reform legislation, establishing a state-sponsored venture capital program, and providing a wide range of incentives. Florida also offers a desirable climate and quality of life that is unmatched in other parts of the country.

Other states are working hard to make up the difference by offering expansive incentive packages that seem to disregard the benefit-cost analysis. The committee asked survey respondents to comment on whether other states have used an incentive program that made it impossible for economic developers in Florida to compete. Neighboring states in the Southeast seem to be viewed as more direct competition than states further away, but states like Maryland and New Jersey were mentioned by some respondents. In particular, Georgia and Alabama have been adept at outbidding Florida for valued relocation projects.

The committee investigated several states' overall incentive package to see how Florida measured up. The states examined were: Alabama, California, Georgia, Louisiana, and North Carolina. These states were chosen because of recommendations from several economic development entities in Florida as they represented either competition from a geographical standpoint or their ability to attract certain industries. These competitor states are willing to offer tax credits, up-front cash grants, real estate and building grants, and closing fund dollars. The committee did not examine every state economic development incentive, but tried to focus on those that were most prominent.

This section also takes a brief look at economic gardening from Littleton, Colorado, and how this area was successful at growing businesses.

ALABAMA

In recent years, the state of Alabama has made a concerted effort to expand its efforts at recruiting growing businesses in targeted industries. That effort has been to the detriment of Florida, especially for counties in Florida's panhandle region, as Alabama has successfully lured away Florida businesses or won bidding wars with Florida to attract out-of-state business. Not surprisingly, Alabama targets many of the same industries as Florida. Alabama's targeted industries include aerospace, automotive, distribution, forest products, chemical, and biotech sectors.¹⁴⁹

One of the largest advantages Alabama has in attracting businesses to the state is a trust fund, with dedicated revenue, that the Governor can use to lure a business to the state. The Alabama Legislature recently increased the Capital Improvement Trust Fund bonding cap from \$350 million to \$750 million during a special session. The fund was created in 2000 with oil and gas royalties as its main revenue source.¹⁵⁰

Tax Incentives

Alabama has a corporate income tax rate of 6.5 percent. Alabama tax law allows a deduction of state corporate income tax based on the amount of federal corporate income taxes paid, creating a lower net effective income tax rate. After the federal income tax deduction, the net effect of the state corporate income tax rate is 4.42 percent, one of the lowest in the country. (In Florida, sole proprietorships, individuals, estates of decedents, and testamentary trusts are exempted from corporate income tax liability. Other Florida businesses are taxed at a rate of 5.5 percent after a \$5,000 exemption.)

Alabama offers a Capital Investment Tax Credit to help offset corporate income taxes. The credit is available to qualified businesses for five percent of the total capital costs for twenty years and may be used to offset corporate income tax liability. The credit is available to almost any business type, including but not limited to: C corporations, S corporations, limited liability companies (LLCs), partnerships, trusts, and sole proprietorships. The Alabama State Legislature recently amended the law relating to the Capital Investment Tax Credit to allow for lower thresholds for the requirements for new employees and for capital costs for projects locating or expanding in a "favored geographic area." Businesses must meet certain job and wage requirements to qualify for the credit.¹⁵¹ These standards are lower than standards Florida uses for most of its economic development programs. For instance, a business may qualify for this tax credit by creating as few as five new jobs with a minimum of an \$8 per hour wage.

Local governments also have the ability to exempt businesses from portions of sales and use taxes related to construction and equipment on a project-by-project basis. Alabama divides its sales and use tax into four categories. Manufacturing and farm machinery is taxed at one and a half percent, automotive vehicles are taxed at two percent, food sold through vending machines is taxed at three

¹⁴⁹ Economic Development Partnership of Alabama. <http://www.edpa.org/location-advantages/taxes-and-incentives.html#>. (August 2007).

¹⁵⁰ Alabama Constitution, Amendments 450, 666, 796.

http://www.legislature.state.al.us/CodeOfAlabama/Constitution/1901/Constitution1901_toc.htm.

¹⁵¹ Information contained in this paragraph can be found at: Alabama Department of Economic and Community Affairs., <http://www.ador.state.al.us/Taxincentives/capcrsummary.htm>.

percent, and all other goods are taxed at four percent. Local governments have the authority to impose sales and use taxes. Sales and use taxes and non-education portions of local taxes on building construction materials and equipment may be abated for eligible projects, but require local government approval.¹⁵²

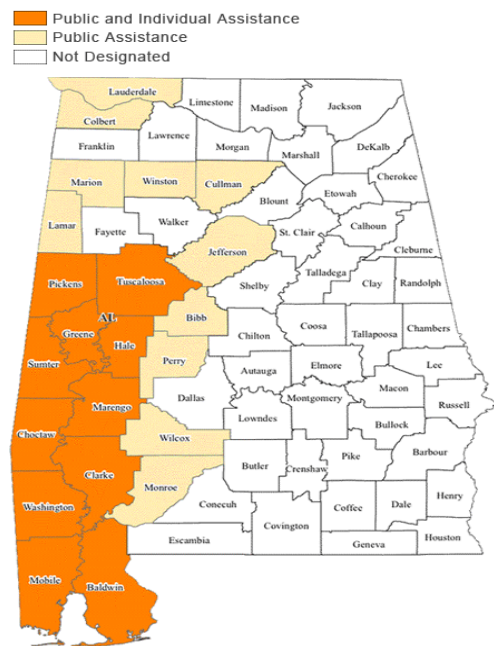
Enterprise Zones/GO Zones

Like most of its neighboring states, Alabama instituted an enterprise zone program for the purpose of improving blighted and underdeveloped areas. Twenty-eight areas in Alabama have been designated as an enterprise zone. The state offers tax credits or exemptions to qualified businesses within an enterprise zone for the purpose of stimulating depressed economies. Section five of the enabling statute allows for a tax credit up to \$2,500 per new employee to be applied against the income tax liability or the business privilege tax liability of the entity qualifying for the enterprise zone credit. Section eleven of the enabling statute allows for exemptions against certain taxes from enterprise zone operations. An exemption can be applied to the income, sales and use, as well as the business privilege tax liability of the business.¹⁵³

The state provides incentives for both rural and urban enterprise zones. Alabama defines a Rural Enterprise Zone as an enterprise zone located in a county that is not part of a Metropolitan Statistical Area (MSA) as defined by the U.S. Census Bureau. There is no significant distinction between the incentives available to rural and non-rural enterprise zones.¹⁵⁴

The Gulf Opportunity Zone (GO Zone) Tax Incentives and Relief Act made available more than \$14 billion in federal tax incentives to encourage businesses to invest in areas affected by Hurricanes Katrina, Rita, and Wilma.¹⁵⁵ The GO Zones stretch from western Louisiana counties that border Texas through Mississippi to Alabama. GO Zones stretch from the southernmost counties of Louisiana, Mississippi, and Alabama north, as far as Tuscaloosa County, Alabama. The program extends to 11 Alabama counties.¹⁵⁶

FIGURE 59 ALABAMA GO ZONES



¹⁵² Id.

¹⁵³ Economic Development Partnership of Alabama. <http://www.edpa.org/docs/state-enterprise-zones.pdf>. (August 2007).

¹⁵⁴ s. 41-23-21, Code of Alabama 1975

¹⁵⁵ U.S. Department of Housing and Urban Development. <http://www.hud.gov/offices/cpd/economicdevelopment/library/taxincentivesgulf.pdf>.

¹⁵⁶ <http://www.gozoneonline.com/GoZone-Maps.html>.

Taxpayers are allowed to recover the cost of property depreciation used in a business for the production of income through annual depreciation deductions. Most new business equipment can be either depreciated over its class life or expensed immediately under Internal Revenue Code Section 179. In addition, taxpayers are now allowed an additional depreciation deduction equal to 50% of the depreciable basis of qualified Gulf Opportunity Zone property for the first year the property is placed in service. Small businesses in GO Zone areas with less than \$400,000 of annual investments may expense up to \$200,000 of qualifying investments, double the previous limit of \$100,000 allowed. Businesses in GO Zone areas may also be eligible for an extension of the Net Operating Loss (NOL) carryback period from two to five years. Other incentives available in GO Zone areas are tax-exempt bond financing and tax credits for employers.¹⁵⁷

Workforce Training and Incentives

Workforce training is an important aspect of any state's economic development efforts. Alabama was ranked second in the nation for its workforce training programs by Expansion Management. The state offers several programs relating to workforce development that set it above many states in the region. The Alabama Industrial Development Training Program (AIDT) is designed to recruit and train qualified potential employees at no cost to the industry. Job-specific, pre-employment and on-the-job training programs are provided in addition to trainee recruitment and screening; and a full range of customized technical training programs that are free to the employers and to the trainees.¹⁵⁸ Training is conducted by AIDT staff or contract instructors and can be delivered on-site, in leased space, and through a fleet of Mobile Training Units customized to meet specific company needs. These mobile units are placed on the employer site to provide classroom and hands-on training, in areas such as:¹⁵⁹

- Programmable logic controllers
- Distributive process control
- CNC machine tool programming
- Precision electronics and assembly
- Electro-mechanical maintenance
- Machine shop skills
- Welding
- Computer technology
- Classroom instruction

The Alabama Department of Postsecondary Education (DPE) oversees the state's system of community colleges, technical colleges, and universities offering a variety of workforce development programs. DPE provides a system of technical education, customized business and industry training, and adult education with programs that use the best available technology. Other programs include the Alabama Technology Network which provides hands-on business and technical assistance using experts located at seven

¹⁵⁷ U.S. Department of Housing and Urban Development. <http://www.hud.gov/offices/cpd/economicdevelopment/library/taxincentivesgulf.pdf>.

¹⁵⁸ Alabama Department of Economic and Community Affairs. http://www.alabamausa.org/Alabama_percent20Profile.htm. (July 2007).

¹⁵⁹ Alabama Industrial Training Program. http://lceda.com/Doing_Business/AIDTSummary2.pdf. (July 2007).

centers of excellence and at the University of Alabama, Auburn University, and the University of Alabama in Huntsville.

The Workforce Development Division of the Alabama Department of Economic and Community Affairs (ADECA) administers several common federal workforce initiatives including: the Incumbent Worker Training Program (IWT), Alabama's Career Center System, and the Alabama Welfare-to-Work Program.¹⁶⁰ IWT provides funding to for-profit businesses for the purpose of training employees. The training must “be a business necessity that will enhance a company’s ability to compete in global economies, expand present markets, and help ensure the permanency of businesses in Alabama.” For the workers, the training will upgrade present work skills, heighten job security, provide marketable skills, and increase the possibilities for higher wages and promotional opportunities.¹⁶¹ Alabama’s Career Center System is a series of workforce centers all over the state that will assist people in finding employment. The Welfare-to-Work Program is a training program designed for hard-to-employ welfare recipients and former foster care youth. The program is designed to assist individuals with significant employment barriers such as low education levels and lack of on-the-job training.¹⁶²

CALIFORNIA

California has a robust economy. If it were its own country, California would have the sixth largest economy in the world. The state emphasizes innovation technologies, high-tech industries, research and development, and manufacturing. Over one million workers in California are employed by a business in a high-tech industry. That is twice as many as the next closest state, and represents one-sixth of all U.S. high-tech workers. California ranks first among states in employment totals for computers systems design, telecommunications, research and development labs, and engineering services. The state’s large land mass and population is part of the reason California is so strong in these targeted industries, but it is not the only reason.¹⁶³ California’s key economic sectors include agriculture, film and entertainment, tourism, biotechnology, aerospace, automotive, and a variety of manufacturing industries.¹⁶⁴ Valuable economic development incentives are offered to allow businesses to continue to thrive.

¹⁶⁰ Alabama Department of Economic and Community Affairs. [http://www.alabamausa.org/Alabama percent20Profile.htm](http://www.alabamausa.org/Alabama%20Profile.htm). (July 2007).

¹⁶¹ Alabama Department of Economic and Community Affairs. [http://www.adeca.alabama.gov/C5/Workforce percent20Investment percent20Act percent20\(WIA\)/default.aspx](http://www.adeca.alabama.gov/C5/Workforce%20Investment%20Act%20(WIA)/default.aspx). (July 2007).

¹⁶² Alabama Department of Economic and Community Affairs. <http://www.adeca.alabama.gov/txtlstvw.aspx?LstID=d0d8e261-92b1-43be-8d46-7de97e058754>. (August 2007).

¹⁶³ Information in this paragraph can be found: California Business Investment Services. <http://www.labor.ca.gov/calBIS/cbbusincentives.pdf>. (July 2007).

¹⁶⁴ California Labor and Workforce Development Agency. <http://www.calbusiness.ca.gov/cedppki.asp>. (June 2007).

Tax Incentives

California has made attracting out-of-state manufacturers and growing California-based manufacturers an economic development priority. The state offers special incentives to businesses engaged in manufacturing. The Manufacturing Enhancement Area Program (MEA) promotes business investment and job creation around the Mexico border. Currently, the cities of Brawley and Calexico contain the only two MEA's in California at the time of this report.¹⁶⁵ To be eligible for a MEA award, a business must engage in certain manufacturing processes and be located in a MEA. Benefits include the streamlining of local regulatory controls, reduced local permitting fees, and \$29,000 or more in state tax credits for each qualified employee hired.

Another economic development priority for California is the fostering of research and development in the state. A research and development tax credit is available to businesses that conduct research and development within California. The credit provides fifteen percent relief from bank and corporation tax liabilities and twenty-four percent relief from research payments to outside entities. Qualified expenses include wages paid, supplies and equipment costs, and contract research costs. Qualified research activity eligible for tax credits must:

- Qualify as a business deduction under IRC §174;
- Be undertaken to discover information that is technological in nature;
- Be undertaken to discover information intended to be useful to develop a new or improved business component; and
- Substantially involve a process of experimentation. (Federal courts have interpreted this to mean 80 percent or more of the research activity)¹⁶⁶

California tax law also allows for a special incentive for businesses that experience a financial loss during the first few years of operation. Businesses are allowed to carry forward a financial loss for the purpose of offsetting the loss in a subsequent fiscal year. "New businesses can carry forward 100 percent of their losses for ten years if the loss occurs in the first year of operation, 100 percent over seven years if the loss occurs in the second year of operation, and 100 percent over six years if the loss occurs in the third year of operation. Existing California businesses can carry over 50 percent of their losses for five years."¹⁶⁷ This incentive helps businesses when they are in their infancy by allowing them time to work through early problems associated with getting a business off the ground.

Enterprise Zones/LAMBRA

California's Enterprise Zone Program (EZ) is designed to stimulate development of economically distressed areas by the private sector through the creation of new jobs. Benefits include both state and

¹⁶⁵ Information contained in this paragraph can be found: California Department of Housing and Community Affairs. http://www.hcd.ca.gov/fa/cdbg/ez/manufac_enhance/. (July 2007).

¹⁶⁶ Information contained in this paragraph can be found: California Business Investment Services. <http://www.ftb.ca.gov/forms/misc/1082.pdf>. (July 2007).

¹⁶⁷ California Business Investment Services. <http://www.labor.ca.gov/calBIS/cbbusincentives.pdf>. (July 2007).

local incentives. Businesses inside an EZ are eligible for tax credits that are equivalent to the sales and use tax paid on the first \$20 million of manufacturing equipment purchased each year. Qualified machinery includes equipment used to manufacture, process, or assemble a product, produce a renewable energy source, or reduce air or water pollution. A tax credit equal to a specified percentage of wages paid to a qualified employee is also available. The credit may span a five-year period where fifty percent of wages are creditable in year one, forty percent in year two, thirty percent in year three, twenty percent in year four, and ten percent in year five. This can total up to \$31,544 in state tax credits for each employee hired. Unused tax credits may be carried forward to future years.¹⁶⁸

The Local Agency Military Base Recovery Area Program (LAMBRA) was developed to attract reinvestment and re-employ workers that lost their jobs due to the closing of military bases. The incentives resemble those offered to a business in an Enterprise Zone and are binding for a period of eight years. The LAMBRA's boundaries are the closing base or a portion of it. Businesses can earn \$31,544 or more in state tax credits for each qualified employee hired, but credits are capped at \$2 million annually.¹⁶⁹ Businesses can earn sales tax credits on purchases of \$20 million per year of qualified machinery and parts. Unused tax credits can be applied to future tax years. In addition to the California tax credits, LAMBRA communities also have community incentives as a part of the business attraction package. Each community is marketing base property and buildings to attract expanding and new businesses. The incentives may include the use of machinery, tools, or office equipment left behind by the military.¹⁷⁰

Workforce Training and Incentives

Similar to Florida's One-stop Career Centers, California's One-Stop Career Center System is designed as a statewide network of workforce training and job placement centers. There are many locations across the state with numerous centers in some counties. These career centers provide employment, education, and training services all in one place. Certain One-Stop Career Centers have all employment, training, and education partners and their programs on-site, while others have only selected partners and programs on-site. The Career Centers offer programs such as Job Services, Unemployment Insurance, Vocational Education, Vocational Rehabilitation, and Youth Services.¹⁷¹

CalJOBS is a state-wide network bringing together employers and those people seeking employment. The network provides businesses with a list of potential employees that have qualities that match a job description. Employers have access to a large pool of job-ready applicants and job seekers get exposure to California companies from all across the state.¹⁷²

The Employee Training Panel (ETP) provides assistance to California businesses that need assistance in training or hiring a highly skilled workforce. ETP provides funds to offset training costs to keep

¹⁶⁸ Id.

¹⁶⁹ California Department of Housing and Community Affairs. <http://www.hcd.ca.gov/fa/cdbg/ez/lambra/>. (July 2007).

¹⁷⁰ Id.

¹⁷¹ California Employment Development Department. <http://www.edd.ca.gov/one-stop/>. (July 2007).

¹⁷² California Employment Development Department. <http://www.caljobs.ca.gov/aboutjob.htm>. (July 2007).

California businesses competitive with other states and countries. ETP is governed by a seven-member panel appointed by the Governor and leaders in the state Legislature.¹⁷³ When training is completed, the costs of training are reimbursed. The average reimbursement is about \$1,500 per employee. Businesses are eligible to receive a reimbursement only when employees that complete training remain on the job for at least 90 days. The program is open to all California companies that face out-of-state competition and meet one or more of the following conditions:

- A need to retrain current employees to prevent layoffs;
- A need to upgrade workers in areas where there are skills shortages;
- A desire to hire and train unemployed workers eligible to receive unemployment insurance; or
- Special or unique training needs in industries related to defense conversion or emerging technologies.¹⁷⁴

GEORGIA

The state of Georgia is a chief competitor to Florida as it relates to attracting growing companies in targeted industries. Both states desire many of the same industries. Georgia has made it a priority to attract businesses in aerospace, agribusiness, automotive, energy and environment, financial services, global trade, life sciences, transportation, manufacturing, multimedia, software, telecommunications, tourism, and venture capital.¹⁷⁵ Georgia offers businesses an expansive list of economic development tools such as tax credits, closing funds, enterprise zones, grants, loans, and other incentives. Many of these incentives are based on a tiered system.

Georgia categorizes all counties into four separate tiers. Tier 1 counties are the least developed counties that are typically economically distressed. Businesses that qualify as a targeted industry and create jobs in Tier 1 counties are eligible to receive a larger incentive. Tier 2 counties are more developed than tier 1 counties, tier 3 counties are more developed than tier 2 counties, and tier 4 counties are the most developed counties.

Tax Incentives

Georgia tax law provides for a variety of tax credits designed to facilitate economic growth. The Employment Tax Credit Program is available to businesses that specialize in manufacturing, telecommunications, warehouse distribution, research and development, processing, and tourism. The tax credits range from \$750 to \$4,000 per job annually for five years. A business must create a minimum

¹⁷³ Employee Training Panel. <http://www.etp.cahwnet.gov/program.cfm>. (July 2007).

¹⁷⁴ California Business Investment Services. <http://www.labor.ca.gov/calBIS/cbbusincentives.pdf>. (July 2007).

¹⁷⁵ Georgia Department of Economic Development. <http://www.georgia.org/Business/Industries/>. (July 2007).

number of jobs to qualify for the credit, which is then awarded on a sliding scale based on the county tier system.¹⁷⁶

The Investment Tax Credit Program is available to businesses from specific industries that have made capital investments in excess of \$50,000. The credits range from one to eight percent of the capital investment and are determined by the tier level of the county. For businesses making a large capital investment, a minimum of \$5 million, the tax credit increases from six percent to ten percent of the capital investment.¹⁷⁷

Georgia offers additional tax credits to businesses that: 1) establish a corporate headquarters in the state, 2) make investments in research and development, or 3) need to retrain certain employees. “Companies establishing or relocating their corporate headquarters [principal central administrative offices] in a Georgia community are eligible to receive an income tax credit of \$5,000 per job per year for five years if the new jobs pay twice the county average wage rate.”¹⁷⁸ The headquarters tax credit is not adjusted based on the county tier level. The research and development tax credit is available to certain qualified industries and is equal to ten percent of the research and development costs that exceed a base amount. The base amount is calculated by a business’ previous three years of taxable income and research expenses.¹⁷⁹ The retraining tax credit is available to all Georgia business categories and is equal to one-half the employer's retraining cost up to \$500 per employee. A business must have its retraining program approved by the Georgia Department of Technical & Adult Education. The retraining program must be for new equipment, a new technology, or a new operating system.¹⁸⁰

Enterprise Zones

In 1997, the Georgia State General Assembly enacted the Enterprise Zone Employment Act. The program is similar to the enterprise zone program currently in use in Florida, though differences do exist. A qualified business will receive a property tax exemption and an abatement or reduction of occupation taxes, regulatory fees, building inspection fees, and other fees levied against Georgia businesses.¹⁸¹ The enterprise zone area must meet at least four out of five of the following criteria:

1. *Pervasive Poverty*: Enterprise zone must contain at least 20 percent poverty based on state census data.
2. *Unemployment Rate*: At least ten percent higher unemployment rate than state average or significant job dislocation.

¹⁷⁶ Information contained in this paragraph can be found at: Georgia Department of Economic Development. <http://www.georgia.org/Business/Job+Tax+Credits.htm> (July 2007).

¹⁷⁷ Information contained in this paragraph can be found at: Georgia Department of Economic Development. <http://www.georgia.org/Business/Investment+Tax+Incentives.htm> and <http://www.georgia.org/Business/Optional+Investment+Tax+Credits.htm> (July 2007).

¹⁷⁸ Georgia Department of Economic Development. <http://www.georgia.org/Business/Headquarters+Tax+Credit.htm>. (July 2007).

¹⁷⁹ Georgia Department of Economic Development. <http://www.georgia.org/Business/Research+and+Development+Tax+Credit.htm>. (July 2007).

¹⁸⁰ Georgia Department of Economic Development. <http://www.georgia.org/Business/Retraining+Tax+Credit.htm>. (July 2007).

¹⁸¹ Georgia Department of Community Affairs. <http://www.dca.state.ga.us/economic/DevelopmentTools/programs/enterpriseZones.asp>. (June 2007).

3. *Underdevelopment*: A low level of building permits, licenses, land disturbance permits, or other factors within a local jurisdiction.
4. *General Distress*: Any adverse conditions such as population decline, health issues, safety issues, or other similar circumstances.
5. *General Blight*: Evidenced by the inclusion of any portion of the nominated area in an urban redevelopment area.¹⁸²

Workforce Training and Incentives

The state's strong workforce development allows for Georgia to provide growing companies with a skilled workforce. Georgia's workforce training programs were ranked number one in the nation by Expansion Management due to the state's Quick Start program.¹⁸³ The program has been provided free-of-charge for more than 40 years to qualified companies. It delivers training in classrooms, on-site, or in mobile labs. In 2006, nearly 45,900 employees were trained through 259 projects.¹⁸⁴

Closing Funds

Georgia has been able to lure growing companies to their state through the use of closing funds. Local developers in Florida voiced concerns to the committee that when Georgia and Florida are in competition to attract a growing company, Georgia's generous use of its two closing funds has made the difference on multiple occasions. The state also offers free land grants and building space as an incentive and puts Florida at a competitive disadvantage. Georgia offers two separate closing funds: the EDGE fund and the REBA fund.

The EDGE fund provides financial assistance to businesses that are considering relocating or expanding and are considering another state for location of a project.¹⁸⁵ The purpose of the fund is to push Georgia over the top when competing with other states for a growing business. The EDGE fund received \$25 million in funding for fiscal year 2006-07 and \$28 million for fiscal year 2007-08.¹⁸⁶ The REBA fund is similar to the EDGE fund in that they are both designed to help Georgia when the state is in competition with another state to attract a growing business. The Georgia Department of Community Affairs website details uses and criteria of the REBA program as follows: "REBA funds may be used to finance various fixed-asset needs of a company including infrastructure, real estate acquisition, construction, or machinery and equipment. A local development authority must be the applicant for a REBA application and the application must be supported by a recommendation letter from a state agency, typically the Georgia Department of Economic Development."¹⁸⁷ The REBA

¹⁸² Georgia Department of Community Affairs. <http://www.dca.state.ga.us/economic/DevelopmentTools/programs/enterpriseZones.asp>. (June 2007).

¹⁸³ Alabama was ranked second, and Florida ranked third.

¹⁸⁴ Expansion Management, 2007 WORK FORCE TRAINING: Expanding Companies Come to Depend on State Work Force Training Programs (August 16, 2007).

¹⁸⁵ One Georgia Authority. <http://www.onegeorgia.org/edge.html>. (August 2007).

¹⁸⁶ One Georgia Authority. Phone interview with Director. (August 15, 2007).

¹⁸⁷ Georgia Department of Community Affairs. <http://www.dca.state.ga.us/economic/financing/programs/reba.asp>. (July 2007).

program received an appropriation from the Georgia State General Assembly for fiscal year 2007-08 of \$4.07 million. REBA projects typically are approved for rural or economically depressed areas.

LOUISIANA

Like other states in the region, Louisiana is making substantive investments in attracting targeted industries. Louisiana's targeted industries include advanced materials, agriculture and forestry products, construction technology, manufacturing, energy sources, entertainment and film, information technologies, life sciences, logistics and transportation, and military and defense industries.¹⁸⁸ Florida shares many targeted industries with Louisiana and the state has redoubled its business attraction efforts in the aftermath of Hurricane Katrina. Louisiana offers a variety of tax credits, grants, and other economic development incentives to go along with two closing funds similar to Florida's Quick Action Closing Fund.

Tax Incentives

The state provides several incentives that substantially reduce the tax liability of Louisiana-based businesses. The Research and Development Tax Credit encourages existing Louisiana businesses to engage in research and development activities. "Companies claiming federal income tax credit for research activities may claim against Louisiana state income and corporation franchise taxes up to eight percent of the state's apportioned share of increased research and development expenses or twenty-five percent of its apportioned share of federal research credit claimed under 26 USCA Sec. 41 (alternative incremental tax credit)."¹⁸⁹ Qualified expenses include wages paid to employees engaged in research and development activities, supplies, expenses related to the use of certain technologies, and contract research expenses.¹⁹⁰ The sale and transfer of credits are allowed under certain circumstances.

The Tax Equalization Program is designed to make Louisiana competitive with any other state in the country for attracting businesses. If Louisiana is in competition with another state to attract a coveted business, the Tax Equalization Program will lower the tax burden of the Louisiana site to match the tax burden, if lower, in the competing state. Qualified businesses include manufacturing entities,

¹⁸⁸ Louisiana Economic Development Department. <http://www.lded.state.la.us/come-to-louisiana.aspx>. (August 2007).

¹⁸⁹ Louisiana Economic Development Department. <http://www.lded.state.la.us/economic-development-allies/business-resources/state-business-incentives/research--development.aspx>. (August 2007).

¹⁹⁰ Id.

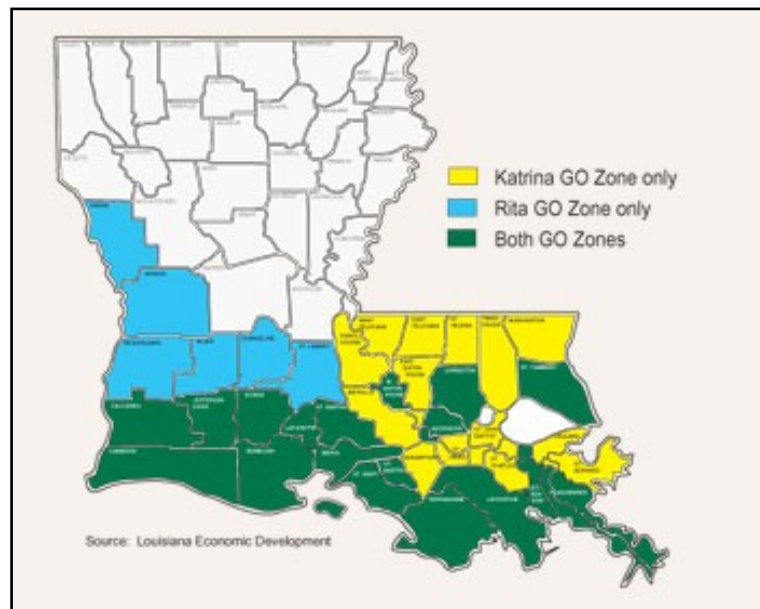
headquarters, warehousing and distribution centers. The competing site must offer a comparable incentive package at least equal to that offered by Louisiana.¹⁹¹

Louisiana offers a property tax exemption to manufacturing companies new to the state as well as new investments and miscellaneous capital additions to existing facilities in Louisiana. The Industrial Property Tax Exemption abates, up to ten years, local property taxes (ad valorem) on new investment and annual capitalized additions. This exemption applies to all improvements to the land, buildings, machinery, equipment, and any other property, that is part of the manufacturing process.

Enterprise Zones/GO Zones

Louisiana offers an enterprise zone program similar to Florida's program. The Louisiana Economic Development Department defines an enterprise zone as "an area with high unemployment, low income or a high percentage of residents receiving some form of public assistance." To be eligible to receive an incentive, a business must create permanent net new jobs at an enterprise zone site. Job Tax Credits are available in the sum of \$2,500 for each new net job created in an enterprise zone or \$5,000 for each new net job created in the aerospace or automobile manufacturing industries. The credits may be used against income tax or franchise tax liabilities. Businesses also have the option of foregoing the Job Tax Credits and opting for a one-and-a-half percent Refundable Investment Tax Credit. The Refundable Investment Tax Credit is a credit equal to one-and-a-half percent of capitalized investment in an enterprise zone (for Federal Income Tax purposes) minus cost of land, interest, existing building acquisition costs, and the portion of manufacturing equipment that is exempt under sales and use tax laws. The credit is earned the year the project is placed in service.¹⁹²

FIGURE 60 LOUISIANA GO ZONE AREAS



Louisiana participates in the Gulf Opportunity Zone Program (GO Zone) which provides extensive tax relief to businesses affected by Hurricanes Katrina, Rita, and Wilma. The program provides businesses an additional 50% depreciation deduction on equipment. Businesses may expense double the amount of

¹⁹¹ Information contained in this paragraph can be found: Louisiana Economic Development Department. <http://www.lded.state.la.us/economic-development-allies/business-resources/state-business-incentives/tax-equalization-program.aspx>. (August 2007).

¹⁹² Information contained in this paragraph can be found: Louisiana Economic Development Department. <http://www.lded.state.la.us/come-to-louisiana/business-resources/state-business-incentives/enterprise-zone.aspx>. (August 2007).

qualifying investments, carryback losses for five years instead of two, and may be eligible for other tax credits.¹⁹³

Closing Funds

In order to compete with other states in the region, Louisiana created two funds similar to some of Florida's incentive programs. The Rapid Response Program was signed into law in 2005 for the purpose of competing with states near Louisiana that have closing funds.¹⁹⁴ The program originally received a \$10 million appropriation; this level of commitment continues each year. Funds for this program are not subject to reversion, any unused funds carry over to the next fiscal year and an additional appropriation in the amount needed to raise the fund's total to \$10 million is provided.¹⁹⁵

The Mega Project Fund is designed to recruit large-scale investment projects to the state. To be eligible, a business must bring at least 500 new direct jobs and a minimum capital investment of \$100 million to the state.¹⁹⁶ The investment must be from both the private and public sector. The fund received a one-time appropriation of \$150 million and the Louisiana Legislature will add to the fund as necessary rather than designating an annual appropriation.¹⁹⁷ The state measures potential return-on-investment based on projected increase in tax revenues.¹⁹⁸ The Mega Project Fund was created as a result of Louisiana's unsuccessful bid to attract ThyssenKrupp's steel plant.¹⁹⁹ (Ultimately, the company decided to build the plant in Alabama due to the use of Alabama's Capital Improvement Trust Fund.)

Other Incentives

The Quality Jobs Program is a cash incentive offered to an expanding Louisiana business or a business relocating to Louisiana. The state provides up to six percent in cash rebates for each new job created in a targeted industry that offers at least a basic health plan.²⁰⁰ To be eligible for the incentive a business must be in one of Louisiana's targeted cluster industries, including:

- Biotechnology and Biomedical;
- Micro-manufacturing;
- Software, Internet & Telecommunications;
- Environmental Technology;
- Food Technology; and
- Advanced Materials.

193 U.S. Department of Housing and Urban Development. <http://www.hud.gov/offices/cpd/economicdevelopment/library/taxincentivesgulf.pdf>.

194 State of Louisiana Office of the Governor. <http://gov.louisiana.gov/index.cfm?articleID=711&md=newsroom&tmp=detail>. (August 2007).

195 Louisiana Economic Development Department. Phone Interview, Director of Fiscal Division. (September 2007).

196 Gabel, Pearl. Business Facilities: The Location Advisor. http://www.businessfacilities.com/bf_07_09_news2.php. (September 2007).

197 Louisiana Economic Development Department. Phone Interview, Director of Fiscal Division. (September 2007).

198 Id.

199 Gabel, Pearl. Business Facilities: The Location Advisor. http://www.businessfacilities.com/bf_07_09_news2.php. (September 2007).

200 Information contained in this paragraph can be found: Louisiana Economic Development Department. <http://www.lded.state.la.us/come-to-louisiana/business-resources/state-business-incentives/quality-jobs.aspx>. (August 2007).

NORTH CAROLINA

The North Carolina Department of Commerce oversees the state's economic development practices. Targeted industries in the state include: film and entertainment, military, wineries, sports development, tourism, aerospace, automotive, biotechnologies, chemical and plastic manufacturing, and information technology.²⁰¹ In the past, the state's economy was driven by tobacco, furniture, and textiles, but in recent years North Carolina has made an effort to transition to an economy based on knowledge-based enterprises. In doing so, the state has committed itself to attracting growing businesses in targeted industries.

Similar to Georgia, North Carolina created a tier system for its 100 counties based on each county's economic well-being. Each year the state ranks the counties: the 40 most distressed counties are designated as tier 1, the next 40 counties are designated as tier 2, and the remaining 20 counties are tier 3. This system is incorporated into many of the state economic development programs.²⁰²

Tax Incentives

North Carolina offers a research and development tax credit based on the amount of qualified expenses incurred by a business or research entity. Businesses with research and development expenses performed by North Carolina universities are granted the largest tax credit equal to 15 percent of the expenses. Small businesses (defined as having annual receipts less than \$1 million) are eligible for tax credits equal to 3 percent of expenses. Businesses with research and development expenses located in a tier 1 county are also eligible for tax credits equal to 3 percent of expenses.²⁰³ Tax credits for all other research expenses are based on the amount of qualified expenses incurred by the business: 1 percent for businesses with up to \$50 million in qualified expenses, 2 percent for businesses with \$50 to \$200 million in qualified expenses, and 3 percent for businesses with more than \$200 million in qualified expenses.²⁰⁴

Workforce Training and Incentives

North Carolina offers an Incumbent Workforce Development (IWD) Program where the state will award grants to certain businesses for the purpose of training employees a skill that will allow a business to expand. Maximum funding for any IWD project is \$37,500 plus a five percent grant service fee for the appropriate Local Workforce Development Board to manage and oversee the training project. Businesses may apply for more than one grant as long as the total for all grants in one year does not exceed \$37,500. There is a lifetime maximum of \$50,000 in grants per business entity.²⁰⁵ Businesses applying for an IWD grant must:

201 North Carolina Department of Commerce. <http://www.nccommerce.com/en/CommunityServices/FocusedIndustrySupport/>. (June 2007).

202 North Carolina Department of Commerce.

<http://www.nccommerce.com/en/BusinessServices/LocateYourBusiness/WhyNC/Incentives/3J.htm>. (June 2007).

203 North Carolina Department of Commerce.

<http://www.nccommerce.com/en/BusinessServices/LocateYourBusiness/WhyNC/Incentives/rd.htm>

204 Id.

205 North Carolina Department of Commerce. <http://www.nccommerce.com/NR/rdonlyres/36BB07D7-D417-436C-AC09-1741B165317A/0/2IncumbentWorkerGuidelines807.pdf>. (June 2007).

- Be private for-profit, or private not-for-profit business which generates substantial revenue;
- Been in operation in the State of North Carolina during the entire twelve-month period immediately preceding the date of application;
- Be current on all North Carolina tax obligations;
- Be current on all applicable county, city, and local taxes; and
- Propose training for employees at a North Carolina facility.²⁰⁶

Closing Fund

The One North Carolina Fund is a discretionary fund controlled by the Governor for the purpose of recruitment of high-wage jobs in the knowledge-driven industries. The fund receives a yearly appropriation from the state Legislature but the amount varies year-to-year. Funds may only be used to purchase vital equipment, repairs or improvements to buildings, upgrades to infrastructure, or any future purpose specifically provided by law. The fund allows for the state to make quick decisions during the negotiating process, particularly when North Carolina is in competition with another state. Any funds received by a local government require a match from that local government.²⁰⁷

Rural and Urban Zones / Rural Incentives

To encourage growth and job creation in economic distressed areas, the Agrarian Growth Program allows local municipalities to apply for a designation as an Agrarian Growth Zone (AGZ) if the area has a small population and high poverty. Businesses in AGZs are offered a tax credit of up to fifty percent on state income tax or franchise tax liability.²⁰⁸ These tax credits are subject to a range of job and wage requirements depending on the tier of the county.

The Urban Progress Zone Program is similar to the Agrarian Growth Zone Program but is designed for municipalities with populations in excess of 10,000 that are economically distressed. An Urban Progress Zone (UPZ) is an area that meets all of the following conditions: Tax credits awarded in an Urban Progress Zone may offset up to fifty percent of state income tax or franchise tax liability and are subject to job and wage requirements.

North Carolina also offers a broad variety of programs specifically geared towards rural communities. North Carolina's Microenterprise Loan Program provides loans of up to \$25,000 to individuals, who do not qualify for bank loans, with sound ideas for starting or expanding a business. Qualifying applicants may include women, minorities, individuals with a low-income, and members of rural communities. The

²⁰⁶ Id.

²⁰⁷ Information in this paragraph can be found: North Carolina Department of Commerce.

<http://www.nccommerce.com/NR/rdonlyres/2F5E8DCB-9D3B-4F8C-991A-D0361DIAD355/957/OneNCGuidelines8204condensedaspublished2.pdf>. (June 2007).

²⁰⁸ North Carolina Department of Commerce.

<http://www.nccommerce.com/en/BusinessServices/LocateYourBusiness/WhyNC/Incentives/3J.htm>. (June 2007).

loans are available throughout North Carolina's 85 rural counties.²⁰⁹ The Capital Access Program provides special loan loss reserves for banks who wish to finance loans that carry a higher level of risk than traditionally financed by banks. The loan program, secured by a 3 to 5 percent borrower's fee, enables businesses located in North Carolina's rural counties access to loans or credit lines averaging about \$50,000.²¹⁰

In response to large manufacturing job losses, the North Carolina assembly established the North Carolina Rural Infrastructure Fund in 2004. The \$20 million fund is intended to stimulate business growth and job creation in both rural and "low wealth" communities. The fund, which is administered by the North Carolina Rural Economic Development Center, provides grants to assist communities to finance water and sewer improvements, renovate vacant buildings for use by new employers, and invest in projects with job creation potential. The fund also provides grants for the expansion of broadband services in rural North Carolina. The state awarded \$29 million through 167 separate grants from the inception of this program through May 2006. The fund has created or retained 16,133 jobs across 482 businesses and leveraged more than \$188 million in other incentives.²¹¹

LITTLETON, COLORADO - ECONOMIC GARDENING

Over the last couple of decades, economic development from a state perspective has been largely focused on recruitment and retention. This focus on "movement" strategies has resulted in a large number of incentives designed to attract or retain businesses. However, several states are starting to look more at "growth" strategies—helping create and expand businesses. In the 1980s, Littleton, Colorado, realized the traditional approach of attracting business to move into their community had many downsides: 1) the companies recruited represented a minor part of job creation, and 2) the companies were attracted by low cost and usually only wanted to stay if the costs stayed low. The city decided to pursue economic gardening after they noticed a few companies, dubbed "gazelles," were responsible for most new job growth. As a result, the community leaders worked on creating an environment that would allow entrepreneurs to flourish. Littleton was able to measure their success. Between 1990 through 2005 the community's employment growth was 135 percent, greater than the statewide average of 47.2 percent and the US average of 21.4 percent during this same time period.

While there are many services, incubators, funding programs, etc. to help build and create new businesses, established businesses often fall into a service gap where there is little or no assistance to help companies grow. Economic gardening policies have been able to successfully target these businesses to help them expand.

209 "Business Loan Programs." North Carolina Rural Economic Development Center. <http://www.ncruralcenter.org/loans/micro.htm> (December 2007).

210 "Capital Access Program." North Carolina Rural Economic Development Center. <http://www.ncruralcenter.org/loans/capital.htm> (December 2007).

211 "Economic Stimulus." North Carolina Rural Economic Development Center. <http://www.ncruralcenter.org/stimulus/index.html> (December 2007).

Economic gardening is an innovative entrepreneur-centered economic growth strategy that offers balance to the traditional economic development practice of business recruitment. At its core is a belief that: 1) a relatively small group of entrepreneurs leading growth-oriented businesses generate a majority of net-new sustainable jobs; and 2) the primary role of the public sector in cultivating the community development benefits generated by this business segment is to create a business environment that recognizes and serves their stage-specific business development needs.

Other states are beginning to look specifically at whether more policy and state focus should be placed on “growth” strategies. The Public Policy Institute of California found that relocation of companies had very little effect on employment change—“On average, 60.4 percent of job creation came from new establishments, 38.7 percent from growth of existing establishments, and only 0.9 percent from establishments moving to California.” And more recently, the Indiana Chamber of Commerce found that while mid-market companies comprise just 1.8 percent of the headquartered firms in the state, they account for 30.2 percent of the jobs and 36.7 percent of total sales for the state.

Data shows that large numbers of jobs come from a smaller number of high-growth businesses. These businesses, dubbed by David Birch as “gazelles,” start out small and grow fiercely compared to others.²¹⁴

FIGURE 61 DISTRIBUTION OF FLORIDA'S BUSINESSES BY DEVELOPMENT STAGE ²⁰⁰

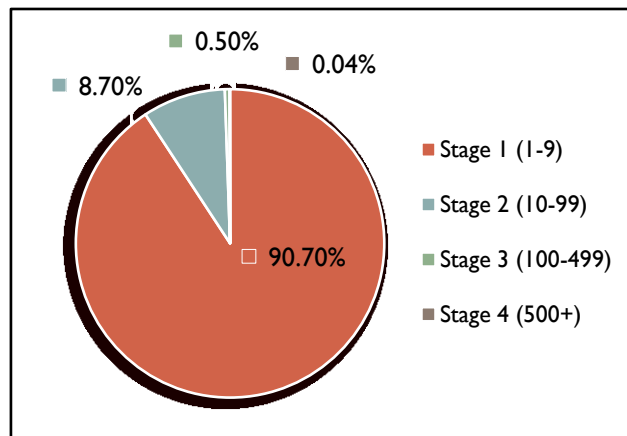
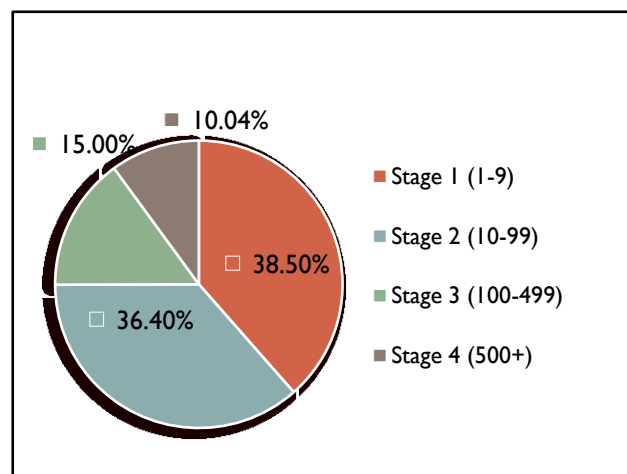


FIGURE 62 CREATION OF NET NEW JOBS BY DEVELOPMENT STAGE ²⁰¹



²¹² NETS summary data provided by the Edward Lowe Foundation. Data displayed represents resident businesses headquartered in Florida and excludes nonresident and noncommercial establishments.

²¹³ Id.

²¹⁴ See online article at: <http://www.inc.com/magazine/19960515/2084.html>. Also see: <http://www.synchronist.com/PDF/WhatsAGazelle.PDF>.

PART V CONCLUSION

KEY FINDINGS

- Economic development programs are critical for maintaining a strong and attractive business climate, fostering growth and development of key sectors, and providing high-wage jobs for Florida's citizens. This report found that Florida's major incentive programs are creating high-wage jobs that create a positive impact on Florida's economy as a whole.
- Florida's economy is strong as indicated by several key economic indicators. In 2006, the state scored well on key economic indicators. Florida's Gross Domestic Product, per capita personal income, and unemployment rate is better than the U.S. average.²¹⁵
- Florida utilizes incentive programs using many of the policy guidelines recommended by economists to ensure programs provide a beneficial economic impact. Florida's business incentive programs consistently require job creation, high-wages, private capital investment, local match and support, performance contracts, and clawbacks. It is generally accepted that job quality should be a factor in determining whether to provide an economic development incentive to a business. Florida uses three standard approaches for accountability that are identified through research: (1) qualifying conditions, (2) disclosure laws, and (3) enforcement provisions. Florida should continue to encourage strong accountability standards for all economic development programs to guarantee a return on state investment.
- Research indicates that state and local governments should pay for economic development incentives up-front rather than passing along the cost to their successors through tax credits, tax abatements, etc. In addition, the greatest proportion of the incentive should be focused on customized training or infrastructure because these resources continue to be a value to the community even if the business relocates. Survey respondents reported the number one need for local communities is the further development of critical infrastructure. Rural counties specifically listed the lack of infrastructure as the number one impediment to attracting businesses. Workforce training was listed as the second most critical need.
- Research points out that job creation should not consider solely the wage associated with that job, but the increase in wages an individual moving into the job will assume. This difference will account for the increased economic impact for that individual. Industry wage comparison becomes critical when comparing wages of jobs with the same skill set.

²¹⁵ It is not known how Florida fared in 2007 compared to other states—individual data by state is not available at this time.

- Research indicates that economic development incentives can be beneficial if implemented within certain policy guidelines. Incentives are socially beneficial if: 1) the project helps overcome involuntary unemployment or underemployment; 2) local unemployment rates increase more or local residents move up to higher-paying jobs; 3) the project locates in an area where the public infrastructure is underutilized; and 4) the project overcomes regulatory and other barriers that may prevent certain areas from being productively used.
- Florida's economic development incentive programs support businesses that paid \$44,890, or 26 percent above the average private sector county wage. In addition, these businesses are paying wages that are higher than the 2006 statewide average private sector wage of \$41,057. However, businesses receiving state incentives are not paying wages on par with industry averages in Florida. Out of 628 projects reviewed, 444 provided guaranteed wages above the average private sector county wage, while only 79 provided guaranteed wages above their respective average industry wage.
- The 628 projects reviewed produced a total of 108,875 new jobs, \$11 billion in capital investment, and a \$14 average return-on-investment to state revenues for every \$1 invested. Nearly 50 percent of these projects were headquarters.
- The Quick Action Closing Fund provides the highest payback ratio—for every \$1 invested, \$23 in state revenue is generated over a 10-year period. This return-on-investment is much higher than the 5:1 payback ratio required in Florida Statute.
- Standalone Brownfield projects (those that did not include a QTI award) created or retained 2,668 jobs and induced \$405.6 million in capital investment. While the average wage for these jobs is low at just \$22,752, the ten-year return-on-investment for the state is estimated at \$21 for every \$1 of state investment.
- The most popular state-sponsored incentive is the Qualified Targeted Industry Tax Refund (QTI). The committee's survey respondents cited QTI more than any other state incentive as a program that they utilize and a program they would like to see expanded. Survey respondents reported that the program allows them to level the playing field with out-of-state competitors. Survey respondents also singled out the Quick Action Closing Fund and the Economic Development Transportation Fund as vitally important programs in addition to QTI.
- Many survey respondents reported that the state needed to make decisions for incentive programs in a more timely fashion. Faster turnaround times on approvals are essential to assure competitiveness. The committee noted times when incentive applications had been held 3 months and longer before a decision on approval of the incentive application was issued. This delay jeopardizes the project's interest in the state, particularly when other states readily propose front end incentives, immediately without caveats.

- The “attraction of high-wage jobs” was ranked as the most important return by more than half of respondents. The second and third most popular response were “job creation” and “attraction of high-tech jobs.” When rural counties were asked to rate their number one return-on-investment, the responses shifted. “Attraction of high-wages” and “job creation” stayed as the top two priorities. However, “healthcare coverage and benefits” jumped dramatically to third. Healthcare coverage was ranked eighth statewide. The creation of jobs with both high-wages and health coverage appears to be a top priority for Florida’s rural communities.
- Projects in rural counties guaranteed wages 12.8 percent above the average private sector county wage; while projects in non-rural counties guaranteed wages only 0.2 percent above the average private sector county wage. This suggests that non-rural projects use statewide average wages to qualify for a project rather than county average wages—in essence lowering the minimum wage standard required.
- As a whole, rural projects received 14 percent of total awards provided by incentive programs and accounted for 10 percent of projected new jobs.²¹⁶ Rural projects represent 10 percent of all capital investment. Rural projects had a projected average wage of \$30,777, less than non-rural projects which had an average projected wage of \$37,381.

RECOMMENDATIONS

The Committee on Economic Development researched economic development practices in the state and across the country, while reaching out to stakeholders in Florida, to determine if more could be done to improve the current state business and rural incentives. Whether it was adopting new practices or modifying current practices, the committee wanted to offer a series of recommendations that Florida’s Legislators could consider as possible policy options.

EVALUATION OF THE APPROVAL AND AWARD PROCESSES

The committee surveyed local economic development entities and stakeholders from all over Florida about the state-sponsored incentive programs they utilized. The most common complaint was the amount of time the application and approval process takes. Timing is crucial when in negotiations with desired businesses looking to relocate to Florida and can make the difference in whether a business relocates to the state. Some complaints related to the actual application process being too cumbersome, while other complaints related to the amount of time it takes to go through the process of receiving an

²¹⁶ Florida’s rural population is approximately six percent of the state’s total population.

incentive. Both issues were seen as putting the state at a competitive disadvantage in attracting businesses. For example, under the QTI program, after EFI reviews and application and determines it is complete, Florida law allows OTTED 45 calendar days to make a recommendation to the director of OTTED on a project, and another 30 days for the director to approve or disapprove an application.

Below are comments from local economic developers surveyed regarding the application and approval process of state-sponsored incentives.

- “It is a very bureaucratic process to get through the approval process. Many times the process is not conducive to recruiting businesses.”
- “Turn-around time on contracts to companies after local matching funds are approved and awarded can be lengthy.”
- “Improvement could come through streamlining the actual processes and creating a smoother, more efficient process from start to finish.”
- “Approval timelines need to be streamlined, so as to avoid delays and hold up of projects as was experienced this past year.”
- “Timing is always an issue with incentives. We have to make these programs as user friendly as possible and work within the company’s timeframes rather than government’s timeframe.”
- “Make decisions in a more timely fashion. Accelerate the approval process for incentive programs. Lengthy and costly delays are problematic and damaging to our state’s business climate reputation.”
- “Faster turn-around times on approvals are essential to assure competitiveness. Many times incentive applications have been held 3 months and longer before OTTED’s decision on approval of the incentive applications were issued. This delay jeopardizes the project’s interest in the state, particularly when other states readily propose front end incentives, immediately without caveats.”
- “The length of processing time for incentive approvals from OTTED is extensive. The approval time for QTI incentives needs to be shortened.”
- “The State Road Grant Program (Economic Development Transportation Trust Fund) was once a tool greatly used by Polk County to assist new and expanding businesses. Today, however the process has become very lengthy and has led to cost overruns due to the time between contract award, processing and bidding. We need to speed this program up.”
- “Currently it takes a very long time for a QTI application to be processed through OTTED and the agreement sent to the client.”

The committee examined process times for award programs. Average process times over a three year span showed that applications for QTI projects were usually approved by OTTED within 40 days after a complete application was submitted by EFI. However, applications for other programs were taking much longer to be approved—up to 100 days for some programs. The committee also examined agreements and contracts between businesses and EFI for state-sponsored incentives to determine if anything was severely flawed in the process. There were cases where approval and the execution of a contract took an unreasonably long time period. Some recent cases could be attributed to OTTED not having a director for an extended time period. However, the committee also noticed many instances where the

qualified business held the contract for a period of time or failed to submit the correct information in a timely fashion. Not all contract issues can be attributed to the state. Businesses that correctly adhered to the program guidelines had a much better chance at receiving an incentive sooner than a business that did not.

It could benefit the state for OTTED and EFI to jointly examine its processes to determine what improvements could be made. To ensure a timely response to businesses, the Florida Legislature may want to consider shortening the timeline for OTTED to approve or deny applications to no more than 35 calendar days for all programs.

IMPROVEMENTS TO THE ECONOMIC DEVELOPMENT INFORMATION SYSTEM

The committee recommends continued improvement to the Economic Development Information System (EDIS). The database is used by OTTED to track businesses that received or are contracted to receive a state-sponsored incentive. EDIS houses valuable information about the incentive programs and the businesses that utilize them such as industry type, average wage paid, jobs created or retained, capital investment, and other pertinent information. The information on the database is difficult to follow, and often it is impossible to tell why a business may not have continued to receive its scheduled incentive award. The committee found the database to lack certain desired information, and sometimes standard information was missing. For example, when reviewing the case studies that were completed, the committee found a capital investment amount that was recorded in the database at a different level that was agreed to in the contract. Further, the committee found projects without a listed industry type and others without (or with incomplete) NAICs codes. EDIS should be corrected, updated frequently, and all projects should at a minimum have a corresponding 4-digit NAICs code attached. In addition, projects should be closed out in a timely manner. For instance, one of the case studies was moved to the “pending termination” status in June 2004, but at the time of this project had not been closed.

IMPLEMENT STRICTER WAGE REQUIREMENTS

The basic analysis of wages provided in this report is helpful in identifying the types of jobs the state’s incentive programs are attracting. Florida could do more to attract high-wage jobs. However, Florida Legislators need to determine to what extent wages should drive public policy for business incentives. Low-wage jobs bring little value to Florida’s economy. The focus of Florida’s economic development policy is to attract targeted industries that have high-skill and high-wage jobs. Most state-sponsored incentives require a certain wage to be paid to any new employees as a qualifying condition for the business to receive an award associated with the incentive program. This requirement is often 115 percent of the above the county or state average wage.

Florida has not successfully surpassed the U.S. average per capita income and may need to do more to

produce high-wage jobs. The committee also found that projects in rural counties guaranteed wages 12.8 percent above the average private sector county wage; while projects in non-rural counties guaranteed wages only 0.2 percent above the average private sector county wage. This suggests that non-rural projects use statewide average wages to qualify for a project rather than county average wages—in essence lowering the minimum wage standard required for that project.

Florida should look at raising the wage requirement on certain programs and implementing an additional requirement requiring the business to pay the average industry wage.

The standalone Brownfield Redevelopment Bonus Refund has no wage requirement for businesses that receive the award. Jobs created through these projects are most commonly retail jobs that pay a low wage. The average wage for this incentive is \$21,905. While challenges exist in attracting high-wage jobs to brownfield areas, it may benefit the state to add a wage requirement. The Legislature may want to consider adopting wage requirements for the standalone brownfield bonus program.

HELP GROW FLORIDA BUSINESSES

The committee recommends Florida invest in growth strategies for small businesses. Specifically, the economic gardening principles employed by Littleton, Colorado and other areas could bring about economic growth in Florida. The cost of growing small Florida businesses may be substantially lower than the cost of attracting large businesses that require an incentive package to relocate to the state. Research shows that growing second-stage “gazelle” companies often produces substantially greater return-on-investment than the attraction of out-of-state companies alone.

Throughout the past decade communities and states across the country have developed tools and best practices designed to deliver on the promise of economic gardening principles. The state is ideally positioned to benefit from the pioneering economic development work that has occurred in these other regions by adopting the proven tools and best practices of economic gardening and integrating those elements with related and established resources already serving the targeted leaders of growth-oriented businesses in the state.

In addition, the committee heard from local economic stakeholders that there was a strong desire to see a greater focus on business retention. Creating a business-friendly economy, encouraging growth of businesses already located in the state, and minimizing state regulations can make a difference for small businesses.

The Florida Legislature may want to consider an economic gardening pilot project to see what effect this strategy will have on the growth of small businesses. In addition, the Legislature may want to consider other strategies that will decrease government regulations that hamper small business growth and success.

CODIFY THE RURAL CATALYST PROJECT

The committee recommends the Florida Legislature codify the Rural Catalyst Project and amend the Rural Economic Development Initiative to direct agencies to utilize all tools and resources available to facilitate locating a catalyst project in designated Rural Areas of Critical Economic Concern

REDEFINE RURAL COUNTIES

The term “rural” is inconsistently defined throughout Florida law. Some programs define “rural” as anything that is non-urban, others set population estimates based on various sources. The committee recommends amending the definition of “rural” for Florida’s economic development programs. The Legislature may want to consider modifying the definition to reflect county density rather than total population or simply raise the statutory population limits to account for the impact of statewide population growth.

PROMOTE RURAL REGIONAL ECONOMIES AND GREATER RURAL ASSISTANCE

The committee found that program funding limits often cause rural incentives to be awarded for incremental infrastructure improvement while often forgoing the ability to fund projects of regional significance. The committee recommends that each rural incentive program, with consideration for available funding, provide collapsible funding limits in cases where multiple joint applicants propose projects of regional significance. For instance, the Legislature may want to consider expanding funding caps for regional projects.

In addition, Florida’s non-rural economic development incentive programs often do not provide additional incentives for businesses to select Florida’s rural communities as locations for expansion and investment. The committee recommends the Florida Legislature consider measures that could be taken to encourage business location in Florida’s rural communities.

EXPAND THE RURAL INFRASTRUCTURE FUND

The Rural Infrastructure Fund is perhaps the most popular rural economic development program. The Rural Infrastructure Fund has been heavily relied upon by many rural communities in securing the necessary infrastructure to attract new business. Limitations on funding per a project in combination with consistently small fiscal appropriations limit the ability of this fund to help rural communities. Adequate infrastructure is the number one impediment to locating businesses in rural areas. The Legislature should consider providing increased funding for this program and raising the project cap, particularly for catalyst sites in Rural Areas of Critical Economic Concern.

INCREASE INCENTIVES FOR LOW-INCOME COMMUNITIES

As a leader in the support of economic development incentives, Timothy J. Bartik, has concluded that incentives are beneficial if implemented within certain policy guidelines. He concludes that incentives are socially beneficial if: 1) the project helps overcome involuntary unemployment or underemployment; 2) local employment rates increase more or local residents move up to higher-paying jobs; 3) the project locates in an area where the public infrastructure is underutilized; and 4) the project overcomes regulatory and other barriers that may prevent certain areas, such as Brownfields, from being productively used. The research is clear that benefits from economic development incentives are largest when implemented in economically distressed areas.

The Florida Legislature may want to consider new economic development programs in low-income communities, or expanding those that already exist. These programs should provide jobs that pay wages on par with the county private sector average wage or that measure income growth for underemployed or unemployed individuals. In addition, the Legislature should closely consider each program's costs, benefits, and return-on-investment to state revenue.

INCREASE FUNDING FOR INFRASTRUCTURE AND WORKFORCE TRAINING PROGRAMS

Counties report the number one need for local communities is the further development of critical infrastructure. Urban counties, rural counties, and counties that qualify as neither urban nor rural listed the improvement of roads as a key factor in the recruitment of growing businesses.

After infrastructure, the expansion of workforce training programs was listed as the most common need for further economic development by survey respondents. Workforce training is a key component to facilitate continued growth of Florida's economy. Finding qualified workers is a top concern for sixty four percent of businesses in the state.

Neighboring states strongly support both of these issues. Both Georgia and Alabama offer workforce training programs at no cost to the business. In addition, economists have reported that investing in infrastructure and workforce are wise investments because these investments will stay in the community or state, whereas a business could leave.

To remain competitive, the Florida Legislature may want to consider increased funding for these programs—specifically the Economic Development Transportation Fund, the Incumbent Worker Training Program, and the Quick Response Training Program.

APPENDIX A

TARGETED INDUSTRY LIST

Manufacturing Facilities

- Chemical Manufacturing
- Pharmaceutical Manufacturing
- Plastics and Rubber Manufacturing
- Computer and Electronic Product Manufacturing
- Computer and Electronic Component Manufacturing
- Transportation Equipment Manufacturing
- Machinery Manufacturing
- Electrical Equipment Manufacturing
- Miscellaneous Manufacturing
- Food and Beverage Products Manufacturing
- Textile Mills and Apparel Manufacturing
- Wood and Paper Product Manufacturing
- Printing and Related Support Activities
- Metal Manufacturing
- Nonmetallic Mineral Product Manufacturing
- Furniture and Related Products Manufacturing

Finance and Insurance Services

- Nondepository Credit Institutions
- Securities, Commodity Contracts
- Insurance Carriers
- Funds, Trusts, and Other Financial Vehicles

Wholesale Trade

- Business-to-Business Electronic Marketing

Information Industries

- Sound and Recording Industries
- Film, Video, and Electronic Media
- Information Services and Data Processing
- Publishing Industries
- Telecommunications

Professional, Scientific, and Technical Services

Management Services

- Office of Bank Holding Companies

Administrative and Support Services

- Customer Care Centers
- Credit Bureaus

*Industry Categories have multiple subsections not listed

APPENDIX B

QUALIFIED TARGETED INDUSTRIES CASE STUDIES

DOLGENCORP, INC. (DOLLAR GENERAL CORPORATION)

Project	Regional Distribution Center
Type	New (QTI)
County	Alachua
Number of Jobs	385 new
Capital Investment	\$50 million
10-Year Payback	\$6 for every \$1 invested
Total Award	\$962,500
Approved	5/12/1999

In 1999, Dolgencorp, Inc. submitted an application seeking QTI funds to help with the creation of a new distribution center in Alachua, County. As noted on OTTED's Recommendation Memo for the project, Alachua County had passed a resolution indicating support of the project and local financial support of \$385,000. A resolution dated February 9, 1999, recommended the project and requested a waiver of the wage requirement. In the resolution, the county indicated that the waiver should be granted because:

1. The project is located in a rural city.
2. The poverty rate in the city is 26 percent compared to nine percent for the state.
3. Over 50 percent of the students in the school system receive supplemented meals.

On May 12, 1999 the application was approved, and slightly more than a month later, a contract was executed by both parties for the creation of 385 new jobs and the intent of opening a 1 million square foot distribution center in Alachua. A similar, but smaller, distribution center in Homerville, Georgia closed in 2000.

The new distribution center quickly met its goals. The center was built in 2000 and by 2002 had a confirmed 500 new jobs that exceeded the expected annual wage. By 2006 the number of new jobs at the distribution center totaled 568. In 2007, the company reported the Alachua distribution center serves 698 stores—approximately 429 stores are located in Florida and 471 are located in Georgia. It can be assumed that the company's distribution center in Jonesville, South Carolina is serving a portion of the Georgia stores.

As of November 2007, a total of \$687,225 of the award has been paid to the company. The current status of the project is "Pending Completion."

ABC DISTRIBUTING, INC.

Project	National Distribution/Warehousing Headquarters
Type	New (QTI)
County	Miami-Dade
Number of Jobs	1000 new
Capital Investment	\$40 million
10-Year Payback	\$6 for every \$1 invested
Total Award	\$6 million
Approved	2/19/1998

Although the project is reported in EDIS as a “new” project, this business expanded from Miami-Dade County into the Enterprise Zone in Hialeah in 1999, consolidating its operations into 17-acres of air-conditioned space with more than 1,500 parking spaces. The project, approved on Feb. 19, 1998 was for the creation of 1,000 new jobs and \$40 million in capital investment. On April 9, 1998, less than two months after approval, a contract was executed by both parties.

The project was required to phase in 1,000 jobs between 1999 and 2005, with a minimum wage of \$14,654. OTTED provided a waiver for the wage criteria since the project was locating in an enterprise zone and creating numerous new jobs. Over the first three years the company met the required job numbers; by the fourth year the company fell behind and received a prorated incentive award, and by the fifth year the company fell too far behind and was denied incentive funds. The confirmed wage was higher each year than required; in fiscal year 2002-03, the last year an incentive was paid, the average wage was \$19,455.

<i>Fiscal Year</i>	<i>New Jobs for this Phase</i>	<i>Cumulative New Jobs</i>	<i>Confirmed New Jobs</i>	<i>Scheduled Payment</i>	<i>Actual Payment</i>
1999-2000	300	300	867	\$450,000	\$450,000
2000-2001	150	450	948	\$675,000	\$540,000
2001-2002	150	600	601	\$900,000	\$720,000
2002-2003	150	750	709	\$1,125,000	\$1,006,875
2003-2004	150	900	522	\$900,000	\$0
2004-2005	100	1000	Unknown	\$825,000	\$0

The last payment to this company was made on September 30, 2003 and was less than the original scheduled payment due to a lack of confirmed new jobs. For the 2002-03 fiscal year the company was required to have 750 new jobs, only 709 new jobs were confirmed. The amount of new jobs represents at least 80 percent of the original requirement, allowing the company to receive a prorated incentive award with a 5 percent penalty.²¹⁷

In 2004, OTTED denied a claim from the business requesting the incentive award. In 2006, the company closed the facility and the media estimated 1,000 people may lose their jobs. As of November 2007, a total

²¹⁷ This is the standard penalty for OTTED contracts, specified in the QTI statute.

of \$2,716,875 in incentive awards had been paid to the company. Of the total amount paid, \$543,375 represents local financial support. The current status of the project is “Pending Termination” and was moved to this status in June 2004.

NEW MILLENNIUM BUILDING

Project	Manufacturing/Fabricated Metal Products
Type	New
County	Columbia
Number of Jobs	175 new
Capital Investment	\$28 million
10-Year Payback	\$0
Total Award	\$2 million
Approved	9/30/2004

The first instance recorded for this project is June 2, 2004, at which point the company was notified that the application submitted for funds was incomplete. On September 1, 2004 the state received a complete application. This application was approved by OTTED approximately 30 days later on September 30, 2004. The contract was executed between the two parties on November 30, 2004. Payment was not processed until May 30, 2007—two and a half years later.

This project in rural Columbia County helped alleviate a transportation impediment and allowed paving of approximately 8,200 feet and the creation of several deceleration/turn-lanes. The contract required: (1) The project to begin no later than June 27, 2005 and end no later than December 26, 2005; (2) OTTED to transfer funds to the county toward direct costs on no more than a quarterly basis; and (3) the county to provide OTTED the actual number of new, permanent full-time jobs two years after construction has completed.

The average wage approved for this project was \$48,176. This amount represents a wage 78 percent above the average county private sector wage. The database shows 190 full-time jobs two years after completion of the project but does not indicate the annual wage for these jobs. Also, the database does not show a NAICS code for the business.

It is unclear why payment was sent to the county two years after completion of the project. The business first requested payment on December 12, 2005. This action was recorded as a “payment premature request” in the database. The contract required quarterly reports; these reports were received over several years time. However, the contract states clearly that funds will be transferred to the county as needed for direct project costs and needs on no more than a quarterly basis. In February 2007, the business requested payment. The payment process was completed on May 30, 2007.

The main contact for this project in Columbia County reported problems when requesting transfer of payments for costs, including: a cumbersome paperwork process that was unclear and continual requests for additional items, including the county’s financial audit from the year the project was completed.

QUICK ACTION CLOSING FUND CASE STUDY

CHICO'S FAS, INC.

Project	Corporate Headquarters
Type	Expansion
County	Lee
Number of Jobs	398 new
Capital Investment	\$50 million
10-Year Payback	\$5 for every \$1 invested
Total Award	\$1 million
Approved	5/05/2005

In 2005, Chico's requested Quick Action Closing Funds to help with the costs of expanding their headquarter base in Florida. The application was received by EFI on February 10, 2005 and approved on May 5, 2005. (This time period, of nearly three months, represents one of the largest time lapses for approval the committee saw through its review of projects.) The company purchased 22 acres of property in Fort Myers, adjacent to its current property, to serve as the base for expansion of its corporate headquarters.

The contract allowed the payment of \$1 million once the contract had been executed, 100 new full-time jobs had been created, and land had been purchased. To remain qualified for payment and to avoid sanctions, the contract required the company to:

- Create at least 398 new full-time jobs. The requirements include 128 new jobs by December 2005, 136 new jobs by December 2006, and 134 new jobs by December 2007.
- Meet a minimum average wage. The average wage cannot be reported at this time due to confidentiality requirements in s. 288.075, Florida Statutes.²¹⁸ Invest at least \$50 million in the new facility by December 31, 2008.

The contract also provides a one-time election to extend the job creation and investment requirements by one year.

The payment process was complete on January 18, 2006. In May 2007, the company submitted a performance extension. The chart below demonstrates the job performance required over the next few years to avoid sanctions.

Fiscal Year	New Jobs for this Phase	Cumulative New Jobs	Confirmed New Jobs
2006-2007	128	128	176
2007-2008	0	128	

• 218 The required average wage is well above the average county private sector wage; however, it is below the average industry wage.

2008-2009	136	264
2009-2010	134	398

Contrary to the contract, the Economic Development Information System reports a minimum capital investment of \$70 million. This entry appears to be inaccurate. As such, the committee is unsure whether the return on investment reported for this project is accurate.

QUALIFIED DEFENSE CONTRACTOR TAX REFUND CASE STUDY

LOCKHEED MARTIN CORPORATION

Project	Defense Manufacturing
Type	Retention & Expansion
County	Palm Beach
Number of Jobs	55 new
Capital Investment	\$14 million
10-Year Payback	\$12 for every \$1 invested
Total Award	\$1.82 million
Approved	1/17/2006

This project allowed the acquisition of new Department of Defense contracts for a project at an undersea facility in Riviera Beach. The media has reported Lockheed working on unmanned, undersea vehicles and remote mine-hunting systems at this location. The project required the retention of 308 full-time jobs and the creation of 55 full-time jobs. The minimum average wage required far exceeds the county's average private sector wage.

The contract outlines that the total award of \$1,815,000 in tax refunds may include local financial support, ad valorem tax abatement, and land value. The business is scheduled to receive approximately \$453,750 annually over a four-year time period if performance criteria are met.

There was a large lapse in time between the company requesting confidentiality (February 2, 2005) and submitting a complete application (December 9, 2005). The application was approved on January 17, 2006 and a contract was executed on May 16, 2006. At the time of this review, no tax refunds had been awarded.